

The provision of this "social conscience money" would lull us into a sense of complacency about the poverty problem and divert our attention from the critical need to provide remedial services to the hard-core poor.

In order to solve the problem of comparative-poverty, we must be concerned with much more than providing income. For many of the comparative-poor, providing income would not mean a better diet for the children, improved medical care, more adequate housing, or a move into self-sufficiency. There is evidence that prolonged chronic relief is a factor in the acceptance of a dependency state.

Any real remedy to this chronic poverty must be concerned with cultural change, with an alteration of attitudes toward life and work. This change is particularly required in the urban slums where apathy, social inadequacy, and an inability to cope with the environment are breeding-grounds for a form of self-perpetuating poverty that could infect the rest of the population with a host of social ills.

Our resources are ample. However, they must be spent efficiently, that is where they are needed and in an amount sufficient to do the job. This means a deeper commitment and a more intelligent strategy. It means that individuals must not be encouraged to remain in the poverty cycle. Conversely, they must be given specific assistance and direction and not just left to drift for themselves subsisting on a new form of dole.

Even at that, it will be a long and difficult job marked by many setbacks. But I believe our goal can be reached if we concentrate our resources on the areas of need and if we move ahead at a pace consistent with our growing knowledge and understanding of the problem. In this way progress replaces promise in the war on poverty.

We should constantly strive to strengthen our public and private retirement systems and provide basic protections against financial hazards and hardships, including catastrophic illness and unemployment, against which the individual has no control. But it would be a great mistake to direct our attention and resources from the real poverty problem in this country. The poor themselves recognize the most fruitful course. A Gallup Poll published on June 15, 1968, recorded 45% of Americans with incomes under \$3000 a year as opposed to a guaranteed annual income. They overwhelmingly supported—83% to 16%—a proposal to guarantee enough work for each family to earn \$3200 a year. The guaranteed income proposal ignores this valuable insight of the poor into their own plight and would instead put millions of self-respecting citizens on a new and unwanted dole.

Third, the guaranteed annual income would slow down the rate of economic growth by reducing incentives to work and save. Automatically providing an adequate minimum standard of living to any citizen would be sufficient to eliminate incentives to work for most of those unemployed or those earning less than the minimum standard level. Those who earn only slightly more than the minimum might also decide not to work at all. Admittedly, the adverse incentive effect differs among plans, but in every instance there is at least some negative incentive effect. The result would be a lower gross national product and a lower rate of economic growth than would otherwise exist.

A recent empirical study by Professor Lowell E. Gallaway of the Wharton School of Finance and Commerce on the "Negative Income Tax Rates and the Elimination of Poverty" is helpful in this area. It throws some interesting light on the individual's labor market response to the receipt of transfer payment income. Professor Gallaway thinks the evidence of his study establishes a basis for a skeptical view of the contribution which the negative income tax can make to improving the income position of poverty groups with a relatively high degree of labor force participation. Certainly, further study is needed in this area. The Council of Economic Advisers comments: "There is an abundance of assertion and anecdote regarding the impact of work incentives on low-income Americans but very little real knowledge. 'Assertion' and 'anecdote' are hardly a solid foundation for the adoption of income guarantee proposals. (*Washington Post*, Sunday, June 23, 1968, p. B4.)

Economic growth also would suffer to the extent that a guaranteed annual income weakened incentives to save. With an annual income assured, the future for many individuals would become more certain. Families would be less likely on the whole to save for emergencies, retirement, death, and disability. The pressure on business to make substantial contributions to employee pension funds would also be less urgent, and this source of capital accumulation could decline sharply as well. The likely result would be a higher rate of current consumption, less saving, and a slowdown in the modernization and expansion of plant and equipment.