

This is a direct threat to employment opportunities for all those able and willing to work. Such opportunities directly depend upon a high level of investment in the future. The creation of new jobs for our rapidly growing labor force requires substantial growth of investment spending. Moreover, increasing technological progress raises the amount of capital equipment per worker and thus the investment costs of keeping a worker employed and providing the new jobs. The amount of investment required to create a new job in manufacturing has been rising steadily and now is \$19,600 compared to \$14,300 only ten years ago. If we guarantee income, it seems to me that we also would have to devise some scheme to guarantee saving.

The fact that the guaranteed income would have an adverse impact on economic growth grossly understates the real costs of the plan. The proponents have said that it would cost about two percent of the GNP. This is misleading in itself, since a more accurate measure of cost to the society's producing element would be a percentage of personal income, after deducting transfer payments and other non-taxable items. But even this cost would be higher if the guaranteed income resulted in a lower level of personal income than would exist in its absence.

Finally, discussions of some form of income guarantee have exhibited a marked indisposition to consider the administrative problems of such a program. Finding workable solutions would require an intensive research effort. Even at that, no income guarantee program, contrary to the hopes of some advocates, could be run without a large-scale administrative organization and an increased degree of social control of the individual.

The first problem is that of defining income. Certainly income as defined in the Tax Code would be unacceptable. It is for this reason that any simple negative income tax is not feasible. Two computations of income would be required. First, a person would reckon income for regular income tax purposes. If this computation yielded a net income figure which was low enough to entitle the program to a tentative refund, he would then have to make another computation which in effect added back into his income items excluded in the regular tax computation. The one-half of capital gains excluded from taxable income is one example of income which would have to be added back before a person could claim a "refund". Tax exempt interest is another example.

The second problem is that of fluctuating income. Would we want to permit people to concentrate income in one year and claim a refund in the next year because their income in that year was low? Not everyone is in a position to reallocate income between years, but some people are able to do so. A person could, for example, realize capital gains in one year and capital losses in the next year, claiming a refund in the second year because net income is so low. Business profits and losses often can be shifted between years. Even for the poor and well-intentioned, underpayments and overpayments would be frequent because of unexpected work layoffs, sicknesses, accidents, etc.

The third problem is that of the weight to be given to wealth in determining entitlement to a payment from the Federal Government. Presently, under public assistance programs, savings a source of funds for family support is taken into account. But the regular income tax computation takes no account of wealth. However rich a person may be, he might show a negative income in a year and pay no positive tax. The loss might make him eligible for a refund under a negative income tax unless wealth were taken into account in determining eligibility.

The fourth problem arises from the definition of the filing unit. Thus, under the regular income tax a husband and wife may elect to file joint or separate returns. Suppose the husband earns all of the family's income. Should the wife be permitted to file a separate return and claim a negative income tax refund?

If, in the light of these objections, we do not take the guaranteed income route, then how do we eliminate comparative-poverty? First we should take stock of what we are already doing. The fact is that we are doing a great deal. Between 1950 and 1965, the total public and private effort to reduce poverty and human suffering increased 97 percent, measured by constant dollar per capita annual expenditures for health, education, and welfare. During the same 15-year period, the share of the total output of the U.S. economy devoted to these purposes rose from about 13 percent of GNP to over 16 percent. And if we compared this more properly with personal income, these percentages would be even greater. This would be an impressive performance under any circum-