

APPENDIX 4

THE FAMILY ALLOWANCE

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In the United States many persons and groups of diverse political persuasions advocate some form of a guaranteed income as a device to eliminate poverty. Most proponents of an income guarantee visualize the use of an income transfer through the existing tax system in the form of a negative income tax. A minority favors the use of a family allowance in which transfer payments are made on the basis of the number of children in a family. Precedence exists for the use of the family allowance because all major industrial countries use it; this fact, however, does not mean that the United States should rush to adopt it.

In this prepared statement, the family allowance systems of five countries—Canada, Denmark, France, Great Britain, and Sweden—will be compared. It is appropriate that these countries should be used, for all are advanced and modern industrial countries. Canada and Sweden are second and third among countries in the world in terms of per capita income.

Family allowances are regular cash payments to families with children, and are usually financed by a tax on employers or out of general government revenues. The amount of the family allowance is either the same for all children, or it increases progressively with the number of children in the family. In some countries the family allowance varies with age. Generally, there is a cut-off point for eligible children, which ranges between 14 and 18 years; however, this cut-off point may be extended for children who are in school. The allowance is available to all families regardless of income; however, it may or may not, depending on the country, be subject to the personal income tax.

THE CANADIAN FAMILY ALLOWANCE

The Canadian family allowance was introduced in 1944. There were several reasons for its adoption which were as follows:

1. The Marsh Report, which was the Canadian counterpart to the Beveridge Report of Great Britain, appeared in 1943. In this report, a proposal for a family allowance was presented. The Beveridge Report had recommended the adoption of a system of family allowances as part of a postwar social security system for Great Britain. The Marsh Report visualized the same purpose for family allowances in Canada.

2. There was concern in Canada over the problem of maintaining full employment after the end of the Second World War. It was felt that the family allowance would stimulate aggregate demand—the Keynesian influence on Canadian economic thought was strong—since it would redistribute income to families in the lower income brackets where the marginal propensity to consume is the highest.

The current Canadian family allowance is paid to every child under 16. The allowance is \$6 a month for each child under 10 and \$8 a month for each child between the ages of 10 and 16. There is also a youth allowance which was recently put into effect, and which is payable at the rate of \$10 a month for youths aged 16 or 17. The allowance is normally paid to the mother and is not subject to a means test. It is paid from the Consolidated Revenue Fund of the Canadian Government. It does not constitute taxable revenue, but there is a smaller tax exemption for children eligible for the allowance.¹

¹ Exemptions for children receiving the family allowance amount to \$300 per child; exemptions for children not receiving the allowance amount to \$550 per child.