5. In Great Britain the allowance amounts to $93.60 a year for the second child, and $105 a year for successive children.

In Great Britain, the family allowance is taxed; in the other four countries, it is not. However, Great Britain has tax exemptions for children; Sweden and Denmark do not; France uses a family quotient system which permits the splitting of incomes into parts, based on the number of persons in the family; and Canada permits an exemption of $300 for children receiving the allowance compared to a regular exemption of $550.

All of the countries pay the allowance to every family regardless of need, and all, with the exception of France which uses a payroll tax, finance it out of general revenue.

The redistribution effects of the family allowance can also be summarized.

1. There is horizontal redistribution within income groups, i.e., individuals and families without children finance families with children in the same income group.

2. There is also vertical redistribution between income groups in that families with high incomes pay more in taxes than they receive in allowances, while families in the low income groups receive more in allowances than in taxes.

3. There is regional redistribution of income in that the family allowance represents a greater percentage of family income in low income areas and regions than in high income areas. Also, low income regions receive more in benefits than they pay out in taxes.

As an anti-poverty device, the family allowance would have two limitations:

1. It is limited to families with children, whereas poverty occurs among a number of groups—the aged, families with or without children, and individuals. The allowance by definition would not be payable to several of these groups.

2. If payment is made to all families, which is the normal custom, most of the expenditures would go to families that are not in need—a rather superfluous approach to say the least. This could, however, be circumvented by using a cut-off point of $3,000 a year per family. The allowance would have to be reduced as the cut-off point is reached for reasons of equity. Otherwise, a family making $2,900 a year would receive an allowance of several hundred dollars while a family making $3,000 would receive nothing.

The cost of the family allowance in the United States would depend upon the number of children to be included and the amount of the allowance. If children in families with incomes of $3,000 and above are excluded, then in 1964 15,900,000 children would be eligible for allowances. Assuming that the first child is not excluded from receiving an allowance, the cost of the allowance can be estimated by using a payment schedule. If the allowance is $10 a month per child ($120) a year), then the cost would be $1.9 billion a year. This payment of $10 a month would roughly correspond to current monthly payments in Canada, Denmark, and Great Britain.

However, assume a payment of $30 a month per child—a not unrealistic assumption since only the children of the poor are considered eligible—the cost would be $5.7 billion a year (15.9 million children × $360 a year).

If all children under 18 in the United States are considered eligible for allowances, the cost of the family allowance would rise considerably. For example, assume that the Canadian family allowance is applied to the United States. In 1967 the Canadian family allowance averaged $6.76 per child. There are approximately 69 million children in the U.S. under the age of 18. The cost of the family allowance would be approximately $5.6 billion a year. If the Swedish family allowance of $175 a year is used, the estimated cost would be $12.1 billion a year in the United States.

However, it is important to remember that the Swedish tax system does not permit exemptions for children, and the Canadian tax system reduces the standard exemption of $550 to $300 for children receiving allowances. If the same procedure were adopted in the United States, namely, the $600 exemption per child, tax revenues would increase to counterbalance the cost of the allowance.

The French family allowance system if transposed to the United States would be enormously expensive. A conservative estimate would be around $25 billion a year.

Conclusions

Family allowances are regular cash payments to families with children, and are paid in a large number of countries as a social security benefit. Payments usually cover only gainfully employed persons and recipients of social insurance benefits. Some countries start family allowances with the first child; others