the allowance from $50 per month to, say, $40 per month, and to provide a larger allowance for the first than for second and subsequent children. Both of these modifications are capable of substantially reducing its cost.

In the general form presented here the children's allowance would not appear to offer major administrative difficulties. Its basic features, to the extent that they relate to the income tax, could be built into the income-tax withholding system, including, where appropriate, even withholding on children's allowance payments alone.

The Tax Credit

An alternative means of achieving the same results as are obtainable under a children's allowance may be found in a vanishing tax credit, one that would be allowed irrespective of tax liability as otherwise calculated, including cases in which net tax liability would be negative. The credit would replace the exemption presently allowed for eligible dependents and could be made to decline with income within a range of, say, $600 to $60 per dependent. In these respects it would be very similar to the children's allowance plan outlined in the foregoing paragraphs. It seems to me, however, that it would present some difficult administrative problems.

Among these problems is the task of finding a means of providing for distribution of net benefits on a regular monthly basis without requiring people to declare their expected incomes at the beginning of each year. Underestimates would give rise to the need to collect appreciable amounts in tax from taxpayers with low incomes, a task that would involve heavy administrative costs and, undoubtedly, severe hardship in compliance in many cases. Perhaps these are not insuperable difficulties, but on balance I am inclined to the view that the merits of this approach relative to the children's allowance are unlikely to be found to be sufficiently attractive to warrant the measures that might be devised to overcome them.

The Negative Income Tax

The appeal of the negative income tax lies in its potential capacity to deal with the problem of alleviating poverty irrespective of the presence of dependent children in the family. Those plans that have thus far been presented,[2] however, fail to come to grips adequately with many of the problems involved. These include devising a means of providing regular monthly payments to the poor, and of avoiding excessively high effective marginal tax rates while at the same time providing a meaningful level of benefits, keeping the net cost down to a feasible level, and confining the benefits primarily to the poor and near-poor.

It appears to me, however, that it would be more than worthwhile to adopt a limited negative income tax or "negative rates" taxation, particularly if it is regarded as a supplement to a children's allowance plan. But as a substitute for or alternative to that plan I find it less than attractive. In fact, of course, the children's allowance as outlined above could readily be modified to make it a "people's allowance." As so modified it becomes a general form of negative income tax; without the modification it is essentially a negative income tax confined to families with children.

Financing Children's Allowances

There is little, in my view, to be said for financing the net cost of the kind of children's allowance plan set forth here by any means other than the individual income tax. The alternative of financing through the social security payroll taxes is unappealing in terms of equity, since the base is limited to the first $6,600 of wages and salaries, thus excluding property income and part of the wage and salary income of higher income taxpayers. It is, therefore, regressive as well as horizontally inequitable. Nor can this means of financing be justified in terms of any alleged or actual "insurance principle."

For the calendar year 1965 reported taxable income under the federal individual income tax amounted to $254.3 billion.[3] Adding to this sum the amount of the children's allowances that would be received by taxpayers and the disallowed exemptions for dependents would raise the total tax base to about $320

[2] See Green, *op. cit.*, especially chapters IV–VIII, and the references cited therein.
[3] U.S. Treasury Department, Internal Revenue Service, *Statistics of Income, 1965, Individual Income Tax Returns* (Washington: U.S. Government Printing Office, 1967), p. 8.