That it is the AFDC portion of the public assistance bill that is concerning the public and the Congress is clear from three provisions of the Social Security Amendments of 1967: (1) the earnings exemption; (2) the denial of aid to families if the father is not currently registered with the public employment offices in the state; and (3) the "freeze" on the federal aid level to AFDC families. In commenting on this last feature of H.R. 12080, NAM opposed it as being arbitrary and discriminatory—and an unreliable and unrealistic way of attempting to curb illegitimate births.

With rather general agreement as to what the problem *is*, there is a notable lack of agreement as to what needs to be done. To the extent that these hearings provide a forum for clarifying the strengths and weaknesses of the various reform proposals, they should contribute to finding a solution.

The details of the various negative income tax or income guarantee proposals are varied but most of them are based on the income tax analogy. NAM has serious reservations about the administrative and practical problems involved, as well as about the effectiveness of this approach to the welfare problem confronting us.

Income Guarantees and the Income Tax Analogy

There are several reasons for questioning the acceptability of the "negative" tax or income guarantee concept as it relates to the tax structure:

1. It would commit the Nation to a "blank check" program, which is sure to be very expensive—estimates range from a "modest" $12 to $15 billion to as high as $38 billion annually—but is not known to be effective. As has been pointed out to the Subcommittee, the public is already chafing at welfare costs that run about $7 billion a year—though some elements of that program are non-controversial. Whether a negative income tax or income guarantee plan could be financed under the existing tax structure, even assuming some offsets in lower Federal spending for other welfare programs, is problematical.

2. The separation of income from work could act as a disincentive for the "positive" taxpayers, particularly those in the lower brackets. According to the Department of Commerce, the median income of U.S. families in 1966 was $7,436 and there were 48.9 million families. This means that 24½ million families had incomes at or below $7,436. Of those, 7 million are classified as "poor"—i.e., having incomes of $3,000 or less. The other 17+ million families with below average incomes would, under most of the proposals, continue to pay some taxes. In many cases what they had left after taxes would not be significantly more than the "refunds" to their slightly less fortunate neighbors—whom they would be helping to support.

3. Many negative income tax proponents make a connection between the needs of the poor on the one hand and the mechanics of computing individual income taxes—the personal exemption and the standard deduction—on the other. They argue, in effect, that the poor do not have the advantage of such exemptions and deductions, although these regulations serve as administrative devices to remove low income people from the tax rolls.

The justification for exemptions and deductions—as well as the details of amounts and inclusions—are still matters of debate. To make such controversial matters the basis for a massive and untried system is to institutionalize aspects of the individual income tax that should be dealt with as elements of a tax—not a welfare—system.

4. A guaranteed income plan would not be easy to administer, nor would it eliminate the need for some form of verification. Milton Friedman believes his negative income tax proposal could be easily administered because the present tax system "covers the bulk of income recipients." But the labor force status of the heads of poor households makes this assumption doubtful. An analysis by the Council of Economic Advisers of the characteristics of the work experience of the heads of 11 million poor households in 1966 showed:

4.3 million were aged
2.1 million did not work
1.2 million worked part-time

In other words, 7.6 million heads of households (69.1% of the total of those identified as poor) were unlikely to be in the present tax system. Adding this many returns for the "negative income tax" would increase the number of