

*nonhuman* factor of production is increased at an accelerating rate, and increasing quantities of it are used.

Technological change is also a process which leaves the general productiveness of the human factor untouched. Obsolescence of skills equal or exceeds the development of new skills. Furthermore, increases in unemployment lower the competitive value of the labor of those still employed.

The effect of these tendencies is to increase the productivity of capital. Labor remains at best a constant factor; more often, it is a decreasingly productive factor. As far as his productive capacity is concerned, man himself at best remains about where history first found him.

For the past 100 years or more, output per manhour has been increasing about  $2\frac{1}{2}\%$  per year. If we understand that this yearly increase is the result of better and more numerous capital instruments, it is clear that today the great bulk of wealth is produced—as our eyes tell us it is—by capital: the figure is 90% or more.

Consequently, in a private property economy, the principal means for enabling households of low or no economic productiveness to become more productive is to enable them to buy, pay for, and employ capital ownership in their lives.

#### *A financing footnote*

In enterprises with average or better-than-average management, new capital formation does not take place unless the newly formed capital will (with extremely rare exceptions) throw off not only its cost of formation, but dozens, hundreds, and sometimes even thousands of times its formation cost. Normally, in the well-managed businesses of the United States, the pre-corporate income tax return on net worth is in the vicinity of 22%, thus enabling newly formed capital—in spite of myriads of institutional arrangements that divert, within the corporation, the wealth produced by the owners of capital to the non-owners of capital—to pay for itself within five years or less.

Consumer goods, such as personal automobiles and family residences, produce no marketable wealth. Therefore, they do not in themselves enable the owner to pay for their costs of acquisition.

Yet the financing of consumer goods has become so sophisticated (not to mention asinine) as to enable the consumer to spend his income up to forty years into the future in order to purchase today articles which throw off no marketable wealth. As a result, he often pays for two or more houses to buy one; he pays for one and one-quarter automobiles to buy one, etc.

But the world of finance offers no significantly effective techniques to enable a household that owns no capital, or owns insufficient capital, to buy newly formed capital and to pay for it out of the wealth it produces, and thereafter to employ such capital as a factor of production and a means of producing income.

That which is inherently nonfinanceable is financed.

That which is inherently financeable is not financed. And the illogic of poverty amidst eagerness and ability to produce plenty goes on.

#### THE SECOND INCOME PLAN AND ITS ECONOMIC GOAL: THE BUILDING OF A SECOND ECONOMY

The practical world requires in addition to second theory a practical and effective means of translating theory into action. The Second Income Plan is an action program for bringing about general affluence in the U.S. economy.

An economy capable of producing affluence on the required scale would have to be perhaps ten times more productive than the one we have now. It is the goal of the Second Income Plan to create that "Second Economy"—

An economy in which the newly formed capital will be owned primarily by those 95% of families who own no capital of income significance in the present economy.

An economy to be built by means that increase the integrity of present private property ownership in the existing economy.

An economy which will have logic and symmetry because it will systematically build the economic power of all households to consume wealth through two sources of income at the same time it builds additional industrial power to produce wealth. Only when all families have viable capital holdings and also an opportunity to engage in production through employment (to the extent that the state of technology and the rate of growth require employment) can "aggregate demand" be capable of supporting general affluence.

The suggested tools of the Second Income Plan fall roughly into four categories:

Those relating to the pattern of testamentary and inter vivos gifts as they are affected by Federal and state tax policy;

Those relating to the conduct of the corporation;

Those relating to financing capital ownership for corporate employees;

Those relating to financing capital ownership for persons not employed by the private corporate sector.

#### GENERAL CHANGES PROPOSED IN FEDERAL AND STATE TAX POLICY

Tax policy changes affecting estate and gift tax laws should aim in general to encourage gifts which broaden private ownership of capital; they should discourage locking up ownership of the most productive factor of production, capital, in tax-exempt general purpose foundations. Capital is socialized as effectively in tax-exempt foundations as if the government had confiscated it. In either case, its ownership is not connected by private property rights to individuals in reasonable-sized holdings.

#### PROPOSED REFORMS RELATIVE TO THE CONDUCT OF THE CORPORATION

(1) The gradual step-by-step elimination of the corporate income tax. Methods for financing capital ownership for individuals *out of the income produced by capital* are among the most important tools for implementing the Second Income Plan. Those vital tools are blunted by taxes which divert more than half the income produced by capital to the government. The state and Federal corporate income taxes, with the proposed new surtax, are a direct 60% destruction of the capital owner's private property in capital. The rich man, because the wealth-concentrating mechanisms of the existing economy work more effectively for him than the redistributive efforts of government and labor unions work against him, can temporarily withstand this invasion; *the man without capital cannot.*

(2) Gradually forcing each mature corporation to pay out all of its net earnings, after depreciation and operating reserves only, to its shareholders. These steps should be keyed to appropriate reductions in the personal income tax rates to make them nonconfiscatory. This measure is one of the principal means of restoring private property to capital ownership. It is designed to put the burden of taxation on the ultimate taxpayer—the individual—where it belongs. *It is no more justifiable to withhold the wages of capital than it is to withhold the wages of labor.* If capital indeed produces most of the wealth, and we wish to give symmetry to our economic system by enabling the masses to receive second incomes through dividends, the private property of both the existing stockholders and the new stockholders must be effective.

(3) Providing the corporation with new sources of financing growth to take the place of the internally generated funds presently used. In the case of non-employees, the source would be the financed capitalist plan; for employees, it would be Second Income Trusts. Both are financing sources that are unlimited by anything except the market for the goods and services to be produced by the expanded economy. That market will expand as the "second incomes" of the population expand.

More importantly, however, from the standpoint of the corporation, the Second Income Plan would complete (i.e., correct) presently invalid corporate strategy. Corporations employ meticulously logical methods to build their industrial power to produce goods and services. But they neglect to comensurately raise the economic power of consumers with unsatisfied needs and wants to buy the increased output. This function they leave to chance, to government redistribution, and to that most illogical and defective of all doctrines—the doctrine of exclusive dependence on full employment, the keystone of all one-factor economic theory.

Each year our corporations and other business enterprises put into place in excess of sixty billions of dollars worth of new capital formation. But to the purchasing power of consumers with unfilled needs, they add only limited purchasing power incidental to the minimum employment required by automated production methods and the minor fraction of corporate net income that reaches the small number of consumers who enjoy capital income. Even when increased by organized labor's bargaining leverage and by wage-elevating legislation of various kinds, the purchasing power which employment adds to the economy is but a fraction of the aggregate purchasing power arising from *both*

factors of production; it is inadequate to support consumption of the increased output, much less the output that could and must be produced in order to attain general affluence.

#### TOOLS FOR FINANCING CAPITAL OWNERSHIP FOR CORPORATE EMPLOYEES: THE SECOND INCOME PLAN TRUST

The basic vehicle for financing capital ownership for corporate employees, although it resembles the conventional employee profit-sharing trust, is incomparably more high-powered and versatile. Called the Second Income Plan Trust (or "SIP Trust"), it is structured like the stock bonus trust presently authorized by the Internal Revenue Code, and although IRS regulations could be improved, such a trust can be "qualified" today. Loan financing runs directly to the Trust, and is invested in the sponsoring corporation's stock at market price. Repayment of the loan can be guaranteed by the sponsoring corporation, which commits itself by the terms of the Trust to a series of annual payments into the Trust, sufficient to amortize principal and interest of the loan to the Trust.

The end result is a Trust that not only serves as a tool for speedily building capital ownership into employees, but as a key financing source for the corporation. It is a device inserted into the usual loan financing arrangements of a corporation to reverse the traditional concentration of ownership arising from debt financing of corporate growth. It enables the corporation to finance its expansion on pre-tax dollars, rather than the usual after-tax dollars. Where depreciable property is involved, ultimately more than 100% of the cost of new capital formation is recovered out of state and Federal corporate income taxes. From the government's side, as growing capital ownership provides second incomes to workers, social security is replaced by private or personal security. Thus the welfare burden of government is progressively reduced. As personal incomes rise, the income tax revenues can rise to offset, to the extent necessary with a reduced government welfare burden, revenue losses incurred in the transition.

As the corporate income tax disappears, the Second Income Trust becomes a method both for financing accelerated new capital formation out of the wealth produced by capital, and for financing the acquisition of capital ownership for employees. It enables the noncapital-owner to finance his acquisition of capital as the capital owner, with rare exceptions, has always done: *out of the wealth produced by capital.*

#### TOOLS FOR FINANCING CAPITAL OWNERSHIP FOR PERSONS NOT EMPLOYED BY THE PRIVATE CORPORATE SECTOR: THE FINANCED CAPITALIST PLAN

Capital ownership for noncorporate employees can be financed through a variation of virtually the same procedure. Suggested techniques for accomplishing this are based upon the analysis set forth in *The New Capitalists* (Random House, New York, 1961). There, Louis O. Kelso and Mortimer J. Adler analyzed the relationship, under conventional financing techniques, of *present capital ownership* to the process of financing newly formed capital. They concluded that the relationship, not previously isolated and identified, is one of insurance.

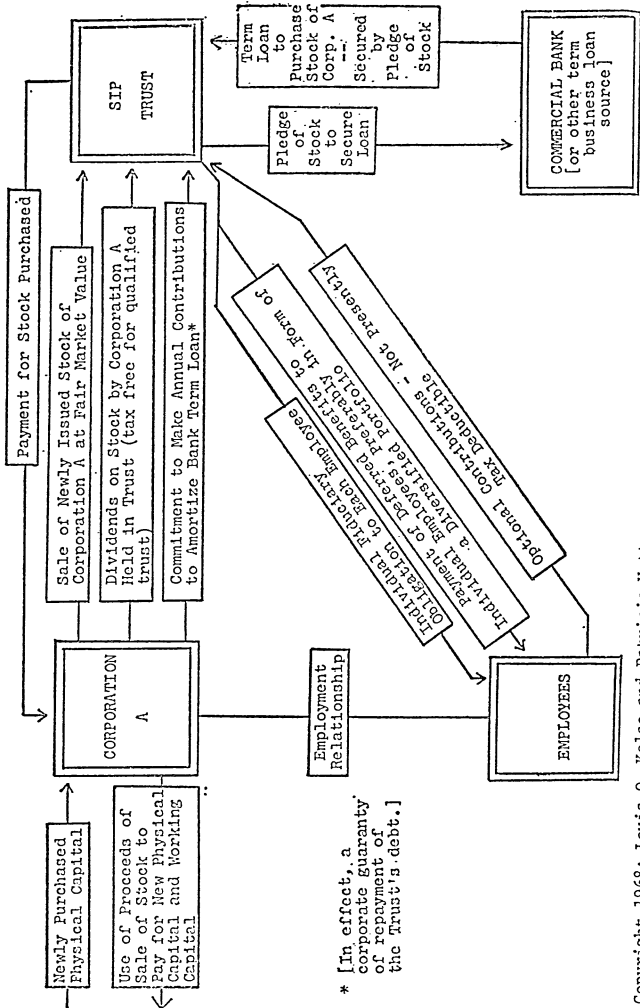
In the traditional business financing pattern, existing capital is put at risk to insure against two contingencies: (1) that the newly formed capital may not pay for itself within a reasonable time, and (2) that even if it does throw off sufficient income to cover its formation costs, the income may not be used to pay those costs.

If the function of existing capital in the financing process is an insuring function, they concluded, then there is a better way to achieve the same objective; *a way that is free from limits imposed by the availability of savings for financing new capital formation.* This idea is, we submit, of momentous significance to the U.S. economy. For it breaks the necessary connection in conventional finance between ownership of existing capital and the right to acquire ownership of all newly formed capital.

Conventional finance is a method for bringing about the exact opposite of universal capitalism. It is a method for relentlessly concentrating ownership. It is a method for excluding from the ownership of capital those who are not already substantial capital owners.

The Second Income Plan, on the other hand, is a method designed to enable men born without capital to buy it, to pay for it out of the wealth produced by

**DIAGRAM I**  
**SECOND INCOME PLAN FINANCING**  
 [How to Promote Corporate Growth by Making Your Employees Capital Owners]



that capital, and thereafter to own it and employ it in their lives to provide them with second incomes.

Our suggested method for financing capital ownership for those who are not corporate employees involves creating a commercial counterpart of the F.H.A. insurance agency. We could call it the Capital Diffusion Insurance Corporation (C.D.I.C.). It could be a self-liquidating government insurance agency, like the F.H.A. Or it could be one or more private insurance syndicates.

The function of the proposed corporation (or corporations) would be to insure lenders that make financed capitalist loans (for the dual purpose of creating new capitalists and financing new capital formation) against failure of the financed portfolios to pay off their costs of acquisition within a prescribed financing period.

It should be noted that the CDIC-financed capitalist program is intended ultimately to take the place of internal financing, but it is not intended to displace other conventional finance. It is strictly complementary and supplementary. Indeed, it would be expected that much of the lendable funds of the economy would be used in the financed capitalist and SIP Trust financing programs.

As the economic growth rate accelerates to a level where the loan funds of the economy (including the loan funds of savings and loan associations which might be made available for the purpose) are inadequate to meet requirements of CDIC, SIP Trust, and conventional financing activities, then SIP Trust loan paper and CDIC loan paper held by commercial banks, savings and loan banks and perhaps by certain other lending institutions, should be made discountable through the Federal Reserve Bank.

The reader's first reaction to this proposal may be that it would be inflationary. On mature consideration, he will be sure that it will not be inflationary.

A monetary system which in effect *monetizes new capital formation under controlled conditions where top executive and financial scrutiny is a prerequisite to the new capital formation coming into existence, would be the first logical and totally flexible monetary system in history.* It would monetize that factor of production which is primarily responsible for producing the goods and services that money is used to buy.

Such a system would solve the major monetary problems of the U.S. economy both internally and internationally. Its intermediate and long-term effect would be deflationary; for the value of net goods and services produced by newly formed capital, after payment of financing costs, vastly exceeds the cost of new capital formation. This deflation, however, would occur without hardship because in a universal capitalist economy, the increasing purchasing power of money would merely be a reflection of increasing ease of production. *It would be accompanied by increasing, rather than declining, opportunities to participate in production, as is the case under present one-factor economic systems.*

#### THE POLITICAL UTILITY OF AN ECONOMIC PROGRAM BASED UPON THE SECOND INCOME PLAN

The tools of the Second Income Plan are peculiarly useful at the Federal level because their implementation depends primarily upon control of the monetary and credit system, which is a matter of Federal concern.

The Second Income Plan itself can unleash the latent human power of every man in an advanced industrial society by offering the opportunity to acquire capital.

It is tailor-made for national economic planning; for anti-monopoly control; for growth acceleration through the simultaneous building of the economic power of the population to consume and its industrial ability to produce, and for the promotion of industrial peace.

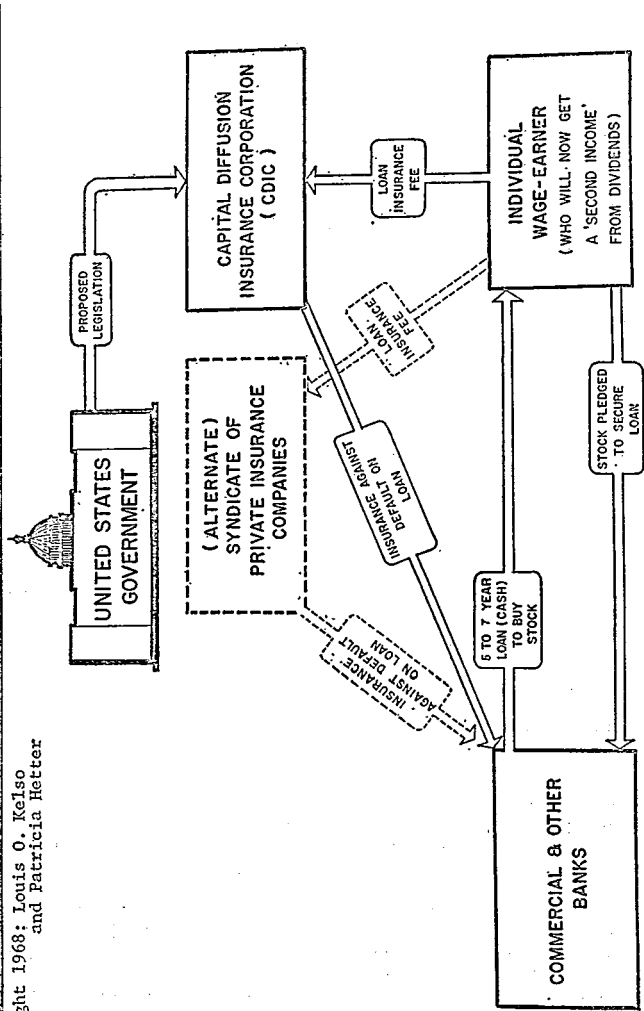
At the same time, the Second Income Plan is calculated to maintain in individual citizens the growing economic power resulting from accelerated industrialization, and to diffuse it broadly throughout the nation. Eventually and ideally, this diffusion would be universal. Thus, it lends itself to control of the economy by the government—but *without the accretion of power by the government that can threaten individual liberties. The growing political power of the government is balanced by the growing private economic power of its citizens.*

The Second Income Plan can induce the soundest boom movement in history; one that can continue to grow until general affluence is achieved, and that can be maintained at the level of general affluence without dependence thereafter on purposeless expansion.

DIAGRAM II

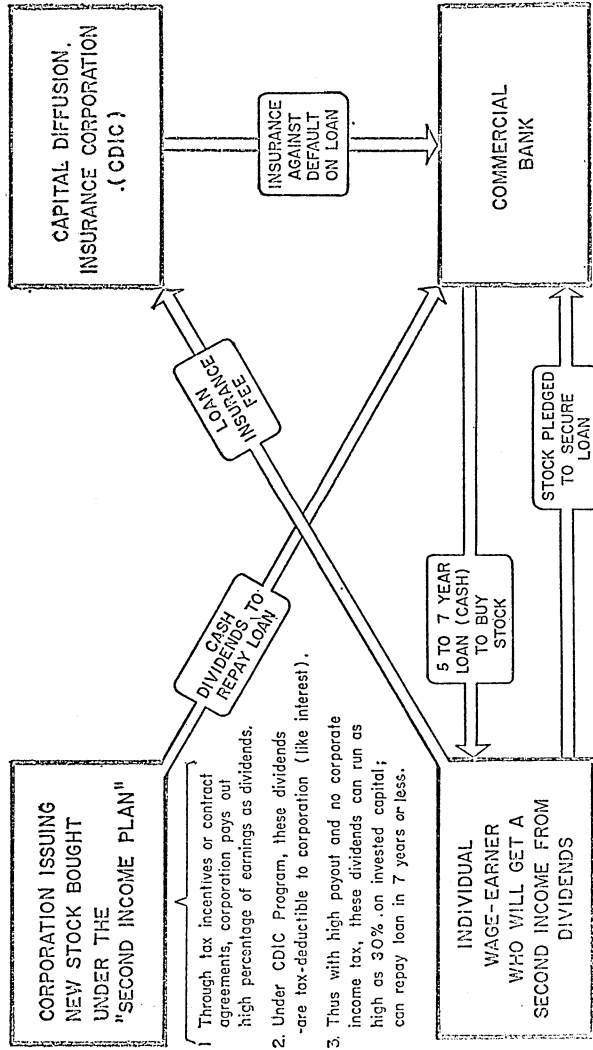
# How the Second Income Plan finances the purchase of stock by individual families.

Copyright 1968: Louis O. Kelso  
and Patricia Hetter



# DIAGRAM III How stocks pay for themselves under the Second Income Plan.

Copyright 1968: Louis O. Kelso and Patricia Hetter



The Second Income Plan is calculated to drastically reduce, and perhaps to eliminate, economic cycles.

The Second Income Plan will inevitably demonstrate the advantages of a strong Federal government. The monetary and policy control of the central government will be counterbalanced by the opportunity provided for all citizens to own diversified holdings of equities from enterprises in every state.

By bringing about a rising affluence level for all citizens—real general affluence—the Second Income Plan can enable the U.S. to reform itself into an economic model that will compel imitation by all nations, for the applicability of two-factor theory is as broad as the applicability of industrial production techniques.

#### PROTECTION OF THE ECONOMY FROM IMPORT COMPETITION

With growth accelerated through the Second Income Plan, and rising incomes resulting from broad capital ownership, rather than from artificial elevation of wages, the U.S. economy could increasingly begin to realize one of the key advantages of growing automation in an economy structured on two-factor theory: declining prices, and the rising value of the consumer dollar without diminution of, indeed, with increasing, opportunity for all citizens to earn incomes, either through their privately owned capital, their employment, or both. This would amount to impenetrable import protection against the goods of all one-factor economic systems.

#### THE SECOND INCOME PLAN IS WELL SUITED TO THE NEED OF THE U.S. ECONOMY FOR AN INSPIRING ECONOMIC IDEOLOGY

One that will stand up under scientific and engineering analysis.

One that is consistent with the traditions of private property which form the ethical background of the U.S. culture.

One that utilizes the most powerful of all motivational forces: the proprietary instinct of all, not just of the few.

One that can accelerate economic development to 10%—possibly to 15%—per year, or more, and maintain that rate until general affluence is achieved.

One from which sound policy determinations and effective implementation can be directed, primarily by the Federal Government, but without the slightest tendency to concentrate power in the Federal Government, since economic power and political power are kept meticulously separate.

One that can simultaneously facilitate making national policy effective and indispensable to the success of each enterprise and family, but which employs the maximum in human autonomy, business autonomy, and state government autonomy.

One that will “turn on” a boom psychology throughout the U.S. that will open up the doors of opportunity to youth, who are today only promised employment that must be artificially contrived and governmentally subsidized—a boom which will be followed by no “bust” because it does not lead to the irreconcilable concentrations of wealth, on the one hand, and mass poverty on the other, the twin calamities in economies designed and operated upon one-factor concepts.

#### FULL EMPLOYMENT THROUGH THE SECOND INCOME PLAN

Through the Second Economy (several times the size of the present economy) which the Second Income Plan is designed to build, *full employment*—indeed overfull employment—will be inevitable for at least three decades. The United States will be confronted with employment shortage problems similar to those Germany and Japan faced in the rebuilding of their economies after World War II.

However, the economic growth will not be the cyclical kind that is interrupted by productive power outrunning the available purchasing power of consumers; under the Second Income Plan, the economic power of the masses to consume rises with the industrial power of the economy to produce.

#### A PRACTICAL COMMENTARY ON THE CDIC INSURANCE PROGRAM

In general, new capital formation not only pays its way, but is the source of affluence. If borne by the community, as is the case under the CDIC program, the risk of entrepreneurial error is negligible. The risk is particularly negligible compared to the cost of the failure to remove the financial shackles that deprive



90% of the consumers from enjoying the affluence entrepreneurs can and would love to produce.

#### UNIFYING POWER OF THE SECOND INCOME PLAN

The capital estate of every family can consist of significant holdings of equities, resulting in periodic payments of dividends, from industries in every state in the United States and from foreign operations of the corporations in which investments are made. The problems of urban crowding that arise from exclusive dependence upon personal employment, real and pretended, legitimate and subsidized, in one-factor economic system, can be ameliorated as increasing numbers of people produce their incomes through their privately owned capital, and can choose their place of residence on criteria other than upon opportunity to toil.

General affluence cannot be achieved either through Keynesian expedients or through socialism. It is the goal of neither. Their goal is merely full employment and the redistribution of the affluence of the few at the top income level. The goal of general affluence can only be achieved through the application of two-factor theory and the Second Income Plan because in the modern world, capital is the chief source of affluence.

#### THE GRAVE DANGER OF FULL EMPLOYMENT ECONOMIES THAT THE SECOND INCOME PLAN IS CALCULATED TO ELIMINATE

The full employment economy is war-prone. While it cannot be said that responsible governmental leadership would deliberately provoke wars for the admitted purpose of supporting full employment, the result, although more subtle, is much the same.

The people of the United States are morally committed to the private property principle of distribution. They believe that wealth should go to those who produce it and in shares proportioned to their productive contribution. But the United States is a technologically advanced country, and during extended eras of peace, one-factor techniques for maintaining full employment must take the form of redistribution, often disguised as make-work. Eventually it becomes exceedingly difficult to get sufficient Congressional appropriation to maintain politically acceptable levels of full employment.

It is easy, on the other hand, by playing on primitive emotions, to get the military appropriations that are in fact the best one-factor expedient for creating contrived toil. These appropriations maintain full employment, or tend to do so, and yet they result in no useful goods or services that compete for the scarce consumer dollars of the civilian economy. They promote the concentration of wealth in corporations, which pleases management, and give it pools of funds to preserve its entrenched monopolies at home and to acquire productive enterprise abroad. It also sets up the classical inflationary spiral caused by artificially generated consumer dollars chasing a fixed supply of consumer goods. Two-factor theory and the Second Income Plan will free the U.S. economy from these perilous tendencies that historically characterize one-factor industrial economies.

#### *Summary*

The utility of two-factor theory and of the Second Income Plan is, we submit, clear.

It provides a blueprint for a monetary system built upon the expanding productive power of an economy whose goal is the creation of an institutional framework within which every family can produce an affluent level of income.

The monetization of the increases in physical productive facilities is designed to free the economy from dependence on any limitations arising out of the exclusive use of financial savings to finance new capital formation, for the Second Income Plan makes possible the financing of business expansion through future savings of individuals accumulated without reducing current consumer expenditures.

Such monetization of expansion is subject to a double level of controls to assure its smooth and non-inflationary performance. The first is the autonomous control by corporate management which has expertise in matching new capital formation to growing market demand. The second level is through the monetary controls of the Federal Reserve System implicit in the discount process, and the controls of the loan-insuring agency which we have called the Capital Diffusion Insurance Corporation.

Two-factor theory provides the theoretical basis and the Second Income Plan provides the practical program for simultaneously and proportionately increasing both the productive power of industry and the economic power of families to consume by enabling them to participate in production through ownership of both factors of production..

The foregoing theoretical exposition should be sufficient to enable the reader to understand and share our conviction that any form of "income maintenance," whether in the form of guaranteed income, negative income tax, welfare checks, publicly subsidized work, or other direct or indirect money payment not arising from economic production under competitive market conditions, can never achieve the proper goal of an advanced industrial society: the generally affluent economy where every family and individual legitimately enjoys as the result of its or his productive input into the economy the level of consumption readily supportable by our technology and resources and appropriate to its or his reasonable desires to consume.

Regardless of the disguise employed, direct money payments of the sort comprehended under the general euphemism "income maintenance" are redistributive. That is to say, they divide the output of the existing economy with those who in fact produce no wealth; they equalize poverty, rather than build the new productive power that general affluence, rather than affluence for top 10%, requires.

If individual consumers are to be provided with direct money doles out of funds provided by taxation on middle and high incomes (an open invitation to continuing struggle and confrontation between the poor and non-poor or by increases in government debt (an invitation to eventual financial disaster), some income now invested will be diverted to consumer goods and service. However, the apparent increases in the gross national product will be mainly inflationary, i.e., imaginary. An indispensable condition for building a genuinely affluent economy is new productive power. Redistribution is incapable of bringing into existence any significant amount of new capital formation.

Redistribution also strikes at the very roots of economic motivation. It destroys the private property institutions which have motivated Americans to make their economy—inadequate though it is in terms of its potential and our expectations—the most industrially powerful in the world. Giving to each the wealth he himself produces, either through his labor or his capital, is the best means of insuring that men will do the things necessary to produce desired goods and services and to constantly expand productive power. Redistribution solves the consumption problem of an industrial economy at the expense of production. Russia, for example, has not underconsumption problem. But after fifty years of defeating the private property instinct and its motivational drives, Russia still cannot produce sufficient food, fibre, and hard consumer goods to provide anything resembling affluence even for its top bureaucrats.

Welfare is on the way to becoming the leading growth industry in the United States today. The official number of relief recipients, which the *Wall Street Journal* reported at 8.6 million in October 1966, unquestionably represents only a fraction of those whose pathetic circumstances entitle them under existing laws to some degree of public assistance. Crushing taxation at local, state, and Federal levels demonstrate the increasing burden being placed on the economically productive—and the rising wave of so-called political "conservatism" demonstrates the producer's resentment of the ever-growing demands being made upon them by their dependent countrymen—whose dependency, let it be understood, is most assuredly due to institutional failure, not to personal fault.

Recently the State Commissioner of Social Welfare of New York, George K. Wyman, reported that nearly one out of every seventeen New Yorkers is receiving welfare assistance from either the Federal, state, or local governments. Mr. Wyman warned that welfare rolls and costs would continue to rise until some way was found to meet what he called "this steadily growing problem of dependency—the greatest domestic problem in the United States." "The only solution," the *New York Times* quoted Mr. Wyman as stating in the 1966 Annual Report of the State Department of Social Welfare, "is to integrate into our economy as many of our welfare recipients and poverty line people as possible."

But in an advanced industrial economy, where capital instruments are the chief source of wealth, there is only one logical and economically adequate way to accomplish the economic integration of labor-dependent individuals: to enable them legitimately to become owners of the non-human factor of produc-

tion. That is the economic integration which the Second Income Plan is designed to accomplish.

Aside from out-and-out redistribution, which is structurally incapable of building a generally affluent economy, there are only two kinds of income maintenance possible. One derives from participating in the production of consumer-useful goods and services, things that minister to the creature needs of living men, women, and children, things that make them comfortable, secure and content. The other derives from the subsidized production of non-economic goods and services, i.e., goods and services not produced in response to normal market demand. More often than not, these are goods and services that do not satisfy any creature need or desire. Frequently, they are economically or physically perilous. Production of such non-economic goods—military overkill goods among them—consume precious natural resources on a gargantuan scale. In the real sense, they impoverish the country, its inhabitants and the world. Income maintained from such production cannot buy affluence, for the goods generated simultaneously with such income are not the substance of human affluence.

The virtue of the Second Income Plan and two-factor economic theory upon which it is constructed lies in its unique ability to achieve general income maintenance through integrating all families and single individuals into the economically productive activity of the nation while expanding the productive economy to the degree required to produce general affluence. Personal income in such an economy flows automatically and justly to those who produce the wealth.

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## APPENDIX 11

### OWNERSHIP AND INCOME\*

#### INTRODUCTION

The world and its resources were created by God for the use and welfare of all His people. God intends that these natural resources help man live a good life, develop his personality and contribute to the betterment of society (familial and larger).

The right of individuals to own property has been affirmed repeatedly by the modern Popes. This does not exclude, at particular times and places, other forms of control and use of natural resources. Other forms include cooperative, tribal and governmental ownership.

In evaluating the acceptability of these forms of ownership, the following norms should be considered: the dignity and rights of individuals must be preserved; the welfare of families and society must be promoted; and the conservation and proper use of resources must be assured.

The National Catholic Rural Life Conference is convinced that more widespread ownership of income producing property is urgently needed in technologically advanced nations such as the United States. Since land is a most fundamental form of productive property, this issue is of special concern to farm families.

#### CAPITAL, LABOR AND INCOME IN THE UNITED STATES

All real wealth, that is, goods and services, is produced either by labor (the human factor in production) or by capital (land, structures and machines, the non-human factor of production). Consequently, all income is derived ultimately from either capital or labor.

Technological advances in agriculture, industry and business are bringing about a steady increase in the relative contribution of capital to the production of goods and services and a corresponding reduction in the relative contribution of labor to the same.

Costly machines, including computers, are replacing workers or greatly reducing the role of workers.

An obvious implication of this trend is the need for more widespread ownership of capital. A growing number of people should derive a substantial part of their income from ownership. Then, the reduction of labor requirements in our agriculture, industry and business would result in more leisure for our people, but would not cause either a decrease in their income or prompt them to demand pay for work they are not doing. Indeed, as technology improves and as ownership of new capital becomes more widespread, the income of our families would increase. This, in turn, would assure a growing buying power among the rank and file citizenry which is essential for the vitality and growth of our economy.

#### DISORDERS IN THE AMERICAN ECONOMY

The American people have not realistically adjusted to the changing productivity of capital and labor. Although a growing number of Americans have a form of capital and a source of future income from social security, pensions and retirement plans, yet, the majority do not own enough capital to contribute significantly to their income. Indeed, many think only of labor as a source of income. They look to full employment as a panacea for the Nation's economic problems. They even create situations which cause further concentration of capital ownership in their efforts to develop new jobs and increase worker's pay.

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\*A policy statement adopted by the Executive Committee of the National Catholic Rural Life Conference, Des Moines, Ia., June 19, 1968.

In many instances workers have claimed increased productivity (and demanded higher pay) when actually their contribution has decreased while the contribution of the machines they operate accounts for the increased productivity. This trend finds its ultimate term in featherbedding, the continuation of jobs which contribute nothing to the operation in question.

We are in agreement with the desire of workers to increase their income. Unless this occurs, they will not fully participate in the benefits of technological progress and their lack of buying power will cause a stagnation in the growth of markets for the products of our economy. However, we insist that most of this increased income should be derived from ownership of capital. Any other policy leads to a disorderly taking from the owners of capital the income which rightfully belongs to them.

Our Government increased this disorder by creating many economically unproductive jobs. Of course, most of the funds for such jobs are derived from property and corporation profit taxes which further discourages ownership of capital by the majority of our people.

#### OWNERSHIP TO ALLEVIATE POVERTY

It is ironic that millions of United States citizens suffer poverty in a nation of unparalleled affluence. This is due partly to the fact that a tiny minority of our citizens own and derive income from our productive property. This condition cuts off the poor from one of the two sources of income. In effect, we are asking the poor to climb the economic ladder with one leg.

There is a growing concern among leaders of the anti-poverty efforts in the United States to devise ways to help low income people gain a stake in the productive property of the nation. Some of the means proposed are listed in a later section of this statement.

#### HUMAN RIGHTS AND PROPERTY

The Fathers of Vatican Council II remind us that personal liberty is inseparable from property: "Private property or some ownership of external goods confers on everyone a sphere wholly necessary for the autonomy of the person and the family, and it should be regarded as an extension of human freedom. Lastly, since it adds incentives for carrying on one's function and charge, it constitutes one of the conditions for civil liberties." (Constitution on the Church in the Modern World, par. 26.) Ownership of property better enables an individual to protect his human rights. The people who do not own property—and they are a majority—lack this power. This is one source of their frustration and anger. The answer, however, is not to destroy the institution of private property, but to extend it. If property can confer dignity, material comfort and security upon the few, it can do the same for the many.

#### PAPAL TEACHINGS ON PROPERTY RIGHTS

The modern Popes have repeatedly stated that the right to own property is founded in human nature, and that it is conducive to the welfare of the individual, the family and society. At the same time, the Popes have stressed the limitations of property rights and their social implications.

Back in 1891, Pope Leo XIII stated the Catholic position on property rights in his encyclical, *On the Condition of Labor*: "For every man has by nature the right to possess property of his own". (par. 5) "That right of property, therefore, which has been proved to belong to individual persons must also belong to a man in his capacity of head of a family; nay, such a person must possess this right so much the more clearly in proportion as his position multiplies his duties." (par. 9) "Men always work harder and more readily when they work on that which is their own . . . It is evident how such a spirit of willing labor would add to the produce of the earth and the wealth of the community." (par. 35) Thus, Pope Leo stated the import of private property for the individual, the family and society. He stressed the interdependence of capital and labor: "Capital cannot do without labor, not labor without capital." (par. 15)

Pope Leo also warned against abuses of ownership. (Op. cit. par. 19) He and succeeding Popes condemned huge concentrations of property because, in effect,

they make ownership impossible of attainment by many others. The primary purpose of material goods, they declare, is to serve the essential needs of all mankind. Private property is justifiable only insofar as it contributes to this primary purpose.

Pope Pius XI in his encyclical, *On Restoring the Christian Social Order*, reaffirmed the natural right of private property and stressed its social character. He declared that "the distribution of created goods must be brought into conformity with the demands of the common good, that is, of social justice. For every sincere observer is conscious that the vast differences between the few who hold excessive wealth and the many who live in destitution constitute a grave evil in modern society." (par. 58) He advocated both widespread ownership of productive property (par. 63) and declared it "advisable that the wage contract should, when possible, be modified somewhat by a contract of partnership, as is already being tried in various ways to the not small gain both of the wage earners and of the employers. In this way workers and officials are made sharers in the ownership or the management, or in some way participate in the profits." (par. 65)

Pope Pius XII further stressed the primary purpose of material goods and insisted that the right of every man to use them for his own sustenance is prior to all other rights in economic life, including the right of private ownership. (Radio address, June 1, 1941)

Pope John XXIII in his encyclical, *Christianity and Social Progress*, noted that "the number of persons is increasing who, because of recent advances in insurance programs and various systems of social security, are able to look to the future with tranquility. This sort of tranquility once was rooted in the ownership of property, albeit modest. It sometime happens in our day that men are more inclined to seek some professional skill than possession of goods. Moreover, such men have greater esteem for income from labor or rights arising from labor, than for that deriving from capital investment or rights associated therewith. This clearly accords with the inherent characteristics of labor, inasmuch as this proceeds directly from the human person, and hence is to be thought more of than wealth in external goods. These latter, by their very nature, must be regarded as instruments. This trend indicates an advance in civilization." (par. 105-7)

Pope John insists that this statement must not be interpreted as a rejection of the principle of private ownership of property. He declares: "The right of private property, including that pertaining to goods devoted to productive enterprises, is permanently valid. Indeed, it is rooted in the very nature of things whereby we learn that individual men are prior to civil society, and hence, that civil society is to be directed toward man as its end. Indeed, the right of private individuals to act freely in economic affairs is recognized in vain, unless they are at the same time given an opportunity of freely selecting and using things necessary for the exercise of this right." (par. 109). This tie between ownership and civil rights is prompting many civil rights leaders in the United States to press for increased ownership of property by minorities.

With regard to Pope's statement about men who "are more inclined to seek professional skills than possession of goods," we note that rapid inroads of automation into many skilled professions are now drastically reducing the number of persons who can safely take this stand. For the vast majority of people, ownership of goods is an urgently needed source of income and security.

Pope Paul VI in his encyclical, *On the Development of Peoples*, places great emphasis on the obligation of rich individuals to share with those less fortunate. He declares: "Private property does not constitute for anyone an absolute and unconditioned right. No one is justified in keeping for his exclusive use what he does not need, when others lack necessities. . . . If certain landed estates impede the general prosperity because they are extensive, unused or poorly used, or because they bring hardship to peoples or are detrimental to the interests of the country, the common good sometimes demands their expropriation." (par. 23-24). This principle provides a vindication for certain types of land reform.

We note the repeated affirmations by these Popes of the natural right of all men to private property and their growing insistence upon the need for making ownership and its benefits serve the needs of all of God's people. Therefore, we urge both private organizations and Governments to initiate programs which will make the ownership of productive property more widespread.

## WHO SHALL OWN THE LAND?

Pope Leo contends, that, among all types of productive property, the land is most basic and most appropriately the object of private ownership. (Op. cit. par. 7-8.)

In the United States there has been a tradition of ownership and operation of farms by families. This tradition was made possible largely by the availability of free or cheap land to any family who would till it.

Today, much of our land is falling into the hands of non-farmers. Low farm income, inflated land values and interest rates and high taxes are among the causes of this trend.

## STEPS TOWARD WIDESPREAD OWNERSHIP

1. Governments and private organizations should help young farm couples purchase land and equipment, particularly that of retiring farmers. Care should be taken, however, to assure units of sufficient productivity to enable a family to support itself. Improved farm income is necessary in order that more families can buy and retain ownership of land. Helping farmers improve their bargaining power is one of the most effective steps toward improved farm income.

2. Governments and private organizations should assist bona fide credit unions and cooperatives which give members shares in their stock and return profits to members through patronage dividends. Such cooperative organizations enable members to improve their economic resources, expand their ownership and gain valuable experience in economic affairs.

3. Federal Government guarantee programs should be launched to facilitate the flow of credit to low-income people to enable them to purchase newly issued equity securities (preferably in the companies with which they work) where the proceeds are thereupon invested in new, highly productive physical capital. Such new capital investments nearly always pay for themselves within a few years. They are inherently financeable. Hence, it is possible for a family to borrow money to purchase stock and to pay for it out of the wealth it produces, and thereafter enjoy a new source of income which it produces. The Governments' role would be to guarantee the loan as the U.S. Government now does in FHA home loans.

4. Encourage stock sharing agreements between management and labor, particularly deferred compensation plans.

5. Modify property and corporation profit taxes with a view to encouraging ownership by persons with limited financial resources.

We make these recommendations in very general terms, presuming that those who are seriously concerned will fill in details after study and debate. Doubtless, other proposals will result from such a study.

## OWNERSHIP IN DEVELOPING COUNTRIES

The recommendations given above apply primarily to more developed countries such as the United States. However, similar issues are confronting the people of developing countries. They are being asked to sacrifice consumer goods in order that their nations' productive capacities can be increased. Unless the capital thus accumulated is shared by rank and file citizens, their future will be as bleak as their present.

In some developing countries there is a tradition of tribal ownership of property. This tradition can be harmonized with the norms for acceptable systems of ownership listed above. However, safeguards must be provided to prevent small obligarchies from depriving individuals and families of adequate income and a genuine voice in their economic affairs. Failure to do so may open the door to socialism or communism in these countries.

## OWNERSHIP IN COMMUNIST COUNTRIES

It is noteworthy that, at the time when capitalist countries are re-examining their patterns of private ownership, many communist countries are modifying their patterns of public ownership. For example, in Eastern Europe today, the most efficient farms are the private plots of individual farmers and the democratically controlled cooperatives, not the large communes or the state farms. As ownership patterns in capitalist and communist countries become more similar, one of the causes of international strife is lessened.



## CONCLUSIONS

As we assess the role of various forms of ownership in the United States, in the developing countries and in communist countries, we must focus our attention on the divinely ordained purposes of material goods and move toward that form of ownership which will best guarantee those purposes in the specific circumstances which prevail in various countries at this time. Thus, we shall hasten the day in which new technology will make an abundance of goods and services available to all God's people.

We are convinced that the exciting technological advances now occurring particularly in the more developed countries warrant an extension, not a destruction, of the ownership of productive property. We suggest that the perennial emphasis of the Church on the right of individuals to own such property deserves reaffirmation at this time and that we should consider bold new steps to enable the vast majority of God's people to become owners of property which will constitute for them a source of a second income. We maintain that this will help reduce poverty and to restore human rights and dignity to millions.

## APPENDIX 12

### STATEMENT OF THE NATIONAL ASSOCIATION OF MANUFACTURERS

The National Association of Manufacturers is pleased to present its views on the subject of income maintenance programs. The NAM is a voluntary organization of industrial and business firms, large and small, located in every state, and representing the major part of manufacturing output in the country.

In announcing these hearings, Chairman Martha W. Griffiths said that the Subcommittee would undertake "to find out what objectives an effective and efficient welfare system should achieve and how it could be designed. In the process, the Subcommittee shall review the shortcomings of the present system as well as the advantages and disadvantages of proposed reforms."

Last year, the Board of Directors of the NAM adopted a policy position which states in part that:

Public assistance programs should encourage recipients who are willing and able to earn some of their income to do so. Programs which subtract the total of such income from assistance payments for which the individuals are otherwise eligible, do not accomplish this objective.

The policy further states that Government programs providing for welfare or income supplement payments to individuals who are poor should be based on verified need and not on a self-assessment system or on assumed uniform need.

Adoption of this limited policy did not, however, foreclose NAM's interest in the problems now being considered by the Subcommittee. To the contrary, it is continuing to study the issues involved. Within this framework of present policy and continuing concern, we shall comment in this statement on the present welfare system and proposals for modifying it.

#### PRESENT WELFARE SYSTEM

There is considerable agreement that the high and increasing cost of public assistance in a period of prosperity has led to a widespread dissatisfaction with the present system. But that is not the only source of difficulty. The present public assistance system was established in an emergency atmosphere and therefore was oriented toward temporary help. In terms of the number of cases, old age assistance was the largest problem and this fact undoubtedly was largely responsible for the inclusion of the public assistance programs in the original Social Security Act.

The expectation that the resumption of economic growth and the establishment of the wage-related Social Security system—plus the growth of private pension plans—would gradually eliminate the problem of old age poverty is being proven correct. The number of people of 65 and over increased from 12.4 million in 1950 to 18.5 million in 1966. As a proportion of the population, they increased from 8.1% to 9.4% in that interval. Nevertheless, the number of Old Age Assistance recipients dropped by more than 25% and—including medical assistance to the aged in 1966—OAA accounted for 34.9% of the yearly public assistance cost as against 60.4% in 1950.

The architects of the original public assistance programs were basically correct in their assumption that old age poverty would prove to be a self-liquidating problem. What they did not foresee—and what is causing the present concern—is the shift in the welfare population from the aged to families with young children. In Daniel Moynihan's terms, public assistance has been converted from a program for temporary *assistance* to individuals to one of *subsistence* for both individuals and a class. The situation is further aggravated by the concentrations of such cases in central cities, by the high cost to such cities, and by the new impatience to correct all the faults of the system in the context of a full or near-full employment economy.

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

individual returns to be processed by approximately 10%. In both 1965 and 1966, the proportion of 1040-A forms which were found to have errors in them, when arithmetically checked, was higher than the proportion of 1040's despite the fact that the computations are made by the Internal Revenue Service when total income is less than \$5,000.

This experience confirms the impression of many taxpayers that not even the shorter form of tax reporting is really "simple." With the best intentions possible, the returns from the new, "negative" taxpayers would undoubtedly have a high proportion of errors which would have to be checked out by the IRS. Complete elimination of a "means test" would appear impossible.

5. A whole new set of circumstances would have to be considered. For example:

(a) *How will "income" be defined?*—Although wealth is properly a consideration in determining welfare eligibility, it is not—nor should it be—an element in revenue collection. The Internal Revenue Service deals with the determination of taxable income and with the assessment and collection of tax. A determination as to personal wealth ordinarily is not involved in income tax administration except in limited circumstances, such as a fraud investigation, estate tax administration, etc.

(b) *How will income fluctuations be treated?*—Will one year of earnings below the family's norm or the defined "poverty" standard be sufficient to qualify for the guaranteed income, or will an average of several years be considered? What about the family which suffers an abrupt change of situation in the middle of a year?

(c) *How will the filing unit be defined?*—Under some proposals, a breakup of a family develops higher combined negative bases than the family unit itself.

(d) *What will be done about irresponsible use of guaranteed income?*—If a family receives a monthly allowance—and squanders it—how will the needs of the family be met?

(e) *What will be done about overpayments?*—The proponents of negative income tax extend the analogy to present procedures and say that the family would "settle up" in next year's tax payments. However, one reason for the acceptance of a graduate withholding was the problem of finding the cash to "settle up." If this is a problem for the "positive" taxpayer, it will certainly be a far greater one for the "negative" taxpayer—or the individual just leaving that status. As a practical matter, it is hard to imagine the Government's exacting any overpayment from the householder whose income is so meager and responsibilities so great as to entitle him to benefit from such a program.

(f) *How often will poverty be redefined?*—Most of the discussions have been in terms of an income of something just over \$3,000 (in current prices for a family of four. The poverty of most Americans is a relative matter. It is, therefore, likely that the guaranteed income level would have to be redefined periodically to parallel economic growth. In that case, some current taxpayers (who continued to earn their income but did not keep pace with the general improvement) might be transferred from "positive" to "negative" taxpayer status.

(g) *Who will supervise the distribution of negative income?*—These plans would either make welfare-fund distributors of the Internal Revenue Service or, what seems more likely, would eventually separate the "negative" tax returns and make them the province of welfare officials.

#### GUARANTEED INCOME AS WELFARE

The guaranteed income, we are frequently told, gives help in its most useful form—cash. Variations of that idea are among the chief arguments for the various plans. However, there is considerable evidence that, with few exceptions, this "solution" does not find widespread acceptance. The main exception, of course, is the aged person who, for whatever reasons, did not participate in a public or private retirement system and has no other source of income. Although aid to the blind and to the disabled are among the publicly accepted elements of welfare spending, the emphasis on employing the handicapped and on vocational rehabilitation is evidence that our society does not really believe that cash is the solution to poverty except as a last resort.

The significant trend in the last decade has been to attack the problems of poverty by job creation and by training—not by transfer payments. Certainly one of the arguments for the "war on poverty" was that the portion of the popula-

tion involved (and for the most part they are the same people who would be affected by income guarantees in one form or another) were isolated from the normal processes of the community—they were the “other Americans” who had to be brought back into the “mainstream” of our way of life. One of the major characteristics of that way of life is that almost everyone (including many who do not have to do so) works for a living. Will we really be creating incentives, particularly for the youngsters who are the objects of so much attention, if we institutionalize the idea that income is a “right” separate from any effort to earn it?

If it is our national goal to phase out dependency—as well as poverty—this may be a poor time to institute an elaborate new program with large incentive-destroying potential. Using as empirical evidence the work behavior of people 65 and over receiving Social Security benefits, Professor Lowell Gallaway of the University of Pennsylvania has concluded that the negative income tax would have a significantly adverse impact on labor force activity. Any provision requiring proof that the person receiving the guaranteed income payments had indeed attempted to find work—if he or she is deemed able to work—would require the same type of supervision that characterizes the present public assistance programs.

Labor force participation is not only desirable from the point of view of the recipient's income and morale. It is also important to the economy as a whole. According to the Department of Labor projections, the labor force participation rate should increase in the 1970's. The Joint Economic Committee, in its *Report on the January 1968 Economic Report of the President*, re-emphasized the goal of maximum employment for potential economic growth. This cannot be achieved if some significant proportion of those capable of joining the labor force are discouraged from so doing.

The community is, of course, responsible for providing for the needs of those who cannot take care of themselves. But that raises another problem with the guaranteed income proposals. Writing in the Fall 1966 issue of the *The Public Interest*, Mr. A. L. Schorr of the Office of Economic Opportunity pointed out that the negative income tax is “carefully engineered” to the requirements of people who *should* work. The incomes provided would, however, be inadequate for a single elderly individual and for families without earners. These would still need supplementary public assistance—whatever it would be called.

Nor can we assume that an income guarantee program would simply operate to redistribute the income produced by the market economy without affecting the operation of the market economy itself. It clearly would have an impact on production, employment, a price level and the wage level. But by setting “floors” for income under an income guarantee from which all wage demands would be scaled upward, a tremendous pressure to cost-push inflation could develop. As the Joint Economic Committee has pointed out, no one wants to accept complacently the theory of the inevitability of a “tradeoff” between full employment on the one hand and inflation on the other. However, this type of cost-push would inevitably operate against the employment of the very “hard-core” unemployed about whom we are concerned.

#### SUMMARY

In its 1968 *Report*, the Joint Economic Committee said about income maintenance programs:

Our existing programs represent a patchwork based largely upon emergency legislation in the depression years. There is a great need for a fundamental review of basic framework, objectives, and philosophy in the light of present-day realities.

In these comments we have limited ourselves to the negative income tax or guaranteed income aspects of income maintenance. We agree that the present system of public assistance has major weaknesses, but we have serious reservations about these proposals.

The most cogent argument made by the proponents of the negative income tax and other forms of guaranteed income is undoubtedly that present welfare laws discourage self-help attempts by “taxing” at an effective rate of 100% all earnings of welfare recipients. This arrangement is a serious disincentive to self-help attempts. However, it is not necessary to restructure both the internal reve-

nue system and the entire welfare apparatus to remedy this situation. Amendment of the public assistance laws has already started.

Another cogent argument is that not all of those entitled to public assistance are now receiving it. Certainly here, again, some system could be devised for reaching these people without instituting an entirely new form of assistance. One must consider the probability that those who are too isolated to know about 30-year old public assistance programs would not be aware of their eligibility for guaranteed incomes either.

If it is your intention to look beyond reform of the present system to some new type of program, we urge consideration of the following criteria for a new plan:

1. It should increase work incentives for the low-skilled and the young but avoid lowering work incentives of the present labor force—particularly those just above the poverty level.
2. It should be designed to phase out dependency, as well as poverty, in a manner that will not create, or increase, antagonism against the recipient of aid.
3. It should avoid increases in cost that would add to the "overkill" of existing tax burdens.
4. It should not lead to the disemployment of marginal workers because of increases in labor costs.
5. The needs of different groups of welfare recipients should be recognized and some should not be left worse off than before.
6. The giving of assistance should be related in some way to the cause of poverty, as well as to its fact.
7. The present tax system, with its remarkable record of compliance on a self-assessment basis, should not be interfered with as a means of improving the welfare system, nor should welfare legislation preclude changes in tax legislation.

## APPENDIX 13

### TESTIMONY OF LAWRENCE PODELL, PH. D., PROFESSOR OF URBAN STUDIES, GRADUATE DIVISION, THE CITY UNIVERSITY OF NEW YORK

In the course of conducting research upon public assistance recipients in the City of New York, data have been gathered which pertain to some of the questions that the Subcommittee wishes discussed at these Hearings. These data have undergone only preliminary analysis but, given the dearth of research evidence in this area of inquiry, their relevance was such that it seemed desirable to report them to the Subcommittee.

#### DATA FROM THE PROJECT "UTILIZATION OF HEALTH SERVICES BY WELFARE RECIPIENTS"

A survey was conducted in the summer of 1966, using a systematically drawn sample of families on the New York City welfare rolls, in which 2179 mothers\* were interviewed. The survey, supported by a grant from the U.S. Public Health Services,\*\* was primarily concerned with the utilization of health services by welfare recipients. But questions were asked about the topic of welfare itself.

#### WELFARE HISTORIES

About fifteen percent of the mothers on welfare reported that their parents were publicly assisted at one time or another. Respondents born and/or reared in New York City showed a greater tendency to indicate that their parents were on welfare than did immigrants reared elsewhere. Many of those on welfare have parents who lived on the farms or in the towns of the South and Puerto Rico. As poor as their parents may have been, they may not have been on welfare; the nature of public assistance in these areas was and is very different from that of New York City. For a migrant population, the absence of intergenerational public dependency cannot be equated with the absence of intergenerational poverty.

These observations help to explain why Puerto Rican respondents, the newest arrivals, were least likely to indicate that their parents were ever on welfare. Among Puerto Rican respondents, 9% reported that their parents were on welfare at one time or another, compared to 16% of the white and 21% of the Negro respondents.

About a quarter of the mothers on welfare reported that they had a brother or sister on welfare at the time of the interview. Another tenth indicated that, although they did not have a sibling on the rolls at that time, they had a brother or sister who was publicly assisted at one time or another.

Based upon their statements, six in ten mothers on welfare had neither parents nor siblings who were ever publicly assisted. Less than one in ten had parents and siblings who were on welfare at one time or another.

#### WELFARE EXPECTANCIES

How did mothers on welfare in New York City view the future? A quarter of them expected that they would surely be on the rolls the following year; another third said they would probably be on. In other words, nearly six out of ten expected to continue to be publicly assisted.

\*Included in the survey were 954 Puerto Rican, 1,017 Negro, and 208 white mothers of families on welfare.

\*\*This project, developed under the guidance of James R. Dumpson, then Commissioner of Welfare of the City of New York, is supported by Public Health Service Grant No. 7R01 CH00369 from the Division of Community Health Services of the U.S. Department of Health, Education and Welfare. Its research operations, directed by Lawrence Podell and Robert Lejeune, are aided by the Division of Electronic Data Processing of the New York City Department of Social Services.

(a) Women from male-headed households were less likely to expect to continue on the rolls than those from sole-adult families.

(b) The more children in the household, the more likely the mother was to expect to remain on welfare. This was especially true for Puerto Rican women.

(c) Respondents who said that they planned to get job were less prone to expect to remain publicly assisted. This was especially true for Negro women.

The less schooling the mother had, the more prone she was to expect to continue on the rolls. This was true regardless of ethnic or age grouping.

What did mothers on welfare think about the possibility of their children becoming publicly assisted when they grew up? Eight out of ten believed that their children would not become dependent adults; four out of ten replied that they *surely* would not.

White respondents were far more likely than the rest to reply that their children surely would not come on welfare as adults. Sixty-two percent of them said that their children surely would not become dependent adults, in contrast to forty-four percent of the Negro and thirty-five percent of the Puerto Rican mothers.

In addition, the higher the grade completed in school, the more prone was the respondent to be sure that her children would not become dependent as adults. Fifty-three percent of the high school graduates said this, compared to 44% of those who attended but were not graduated from high school and 36% of those who did not go beyond the eighth grade.

#### WELFARE ATTITUDES

The majority (58%) of the mothers said that being on welfare bothered them. With regard to other attitudes towards welfare:

(a) Over half (56%) of the publicly assisted mothers agreed with the statement, "Getting money from welfare makes a person feel ashamed."

(b) Over eight in ten of the mothers on welfare agreed with the statement, "People should be grateful for the money they get from welfare." The less schooling they completed, the more likely respondents were to agree.

(c) Seven out of ten mothers in publicly assisted families agreed that, "A lot of people getting money from welfare don't deserve it."

(d) A minority (44%) of the mothers on welfare agreed that, "The Department of Welfare has no right to ask questions about how people spend their money."

(e) When asked, "Do welfare investigators ever make you feel that you shouldn't bother them?", 63% of the publicly assisted mothers replied in the negative. When asked the same question about doctors, 87% replied negatively; and when quired about school teachers, 97% answered negatively.

#### DATA FROM THE PROJECT, "ALTERNATIVE DEPLOYMENT OF PUBLIC ASSISTANCE PERSONNEL"

Another survey of mothers on welfare was conducted in the Summer and Fall of 1966. The project, of which this survey was a part, was supported by the U.S. Social and Rehabilitation Service and the Social Security Administration.\* It primarily concerned the consequences upon clients of certain organizational and staff characteristics of a particular welfare center of the City. The 1551 respondents to this survey, all of whom were on A.D.C., resided in the neighborhood served by that welfare center.

\*This project was also developed under the guidance of James R. Dumpson, when he was Commissioner of Welfare of the City of New York. It is supported by Cooperative Research and Demonstration Grant No. 181 of the Social and Rehabilitation Service and the Social Security Administration of the U.S. Department of Health, Education, and Welfare. Its research operations, directed by Lawrence Podell, Harold Yahr, and Richard Pomeroy, are aided by the Division of Electronic Data Processing of the New York City Department of Social Services.

NOTE.—Included in this survey were 624 Puerto Rican, 631 Negro, and 296 white mothers of A.D.C. families.



## RECEIPT OF SERVICES

Respondents were asked whether or not the Department of Welfare had furnished them with particular services.

(a) *Extra Money*.—In view of the relatively low level of sustenance provided by the bi-weekly budget check and the continually arising problems of special circumstances, the issuance of "extra money" is a primary "service." The vast majority of our respondents, some three quarters of them, were helped by the case workers "... to get extra money from Welfare for clothing or for household things." Negroes reported this service somewhat less (73%) than did Puerto Ricans (81%) and whites (83%).

(b) *Health Care*.—The discussion with their caseworker of "... where to go to get medical or dental care" was reported by whites at a substantially higher level (51%) than for Puerto Ricans and Negroes (35%). The actual provision of appointments for medical or dental care did not appreciably differ from one group to another.

(c) *Housing*.—Puerto Ricans reported considerably higher incidence of aid in helping to "find a place to live" (24%) than did Negroes (14%) or whites (10%). The extent to which this reflects differences in actual need, family circumstances or size, or other considerations has not been assessed, as yet.

(d) *Child Rearing*.—Concerns with children—their problems, behavior, education, etc.—are central to casework with the A.D.C. family. General discussion of the children and their concerns was reported at a higher level for whites (44%) than for Puerto Ricans and Negroes (36%). Discussion of the children's education and "... what they should do if they're no longer in school" was less reported by Puerto Ricans (10%) than by Negroes and whites (16%).

(e) *Birth Control*.—Negroes were more likely to have had "... advice about how to keep from having babies" (18%) than Puerto Ricans and whites (8%).

(f) *Rehabilitative Services*.—Services referant to training, employment and money management were all reported at relatively low levels, between a tenth and a quarter of the ethnic sub-samples. Puerto Ricans were least likely to report having discussions with caseworkers about school or job training: 15% of them did, compared to 27% and 25% for Negroes and whites, respectively. They were also least likely to receive actual job-seeking advice: 12% for them, in contrast to 16% for the others. However, Puerto Ricans were most likely to report receiving advice about money management: 18% did, compared to 13% for the others.

Summarily, in terms of extra money and health care, whites appear to receive most, Negroes least. Training and education for oneself or one's children are least likely to be reported by the Puerto Rican respondents. Negroes appear to receive most advice about family planning and Puerto Ricans are more likely to receive advice about money management.

The extent to which the differences summarized above represent actual differences in need or in receptivity, or disparate reactions by workers to different ethnic groups, or are due to any of a variety of other "causes," has not been determined as yet.

## KNOWLEDGE OF AVAILABLE SERVICES

Client knowledge of the services potentially available through the welfare system is necessary not only to "get what one is entitled to" (in the sense of assertion of rights) but also to enable the client to articulate a need so that the caseworker and the system can be of assistance. When the client does not know a service is available to her through the Department, she may be less likely to inform the worker of a concern, thus often precluding a possible resolution of a problem. The mothers on A.D.C. were presented with a list of twelve services and then asked the following question:

"As far as you know, besides the regular check every two weeks, which of the following things can people on Welfare sometimes get from the Welfare Department? Can they *ever* get ..."

(Three "services" were included that the Department of Welfare does not provide.)

(a) *Extra Money*.—Nine out of ten respondents realized that extra money for clothing or household goods was sometimes available from the Department.

(b) *Health Care*.—Almost all of the mothers knew about the availability of medical and dental care.

(c) *Housing*.—Not only did the Puerto Ricans in our sample receive more help in finding "another place to live" but they were also far more knowledgeable about the availability of this service: 82% knew of it, compared to 58% and 61%, respectively, for Negroes and whites.

(d) *Child Rearing*.—Somewhat over half of the mothers knew they could obtain advice about problems with their children. Sixty percent of the Puerto Ricans reported it, as did 53% of the Negroes and 52% of the whites.

(e) *Birth Control*.—The survey was administrated prior to the Department's revision of its policy so as to allow initiation by caseworkers of discussions of family planning. Negroes were more knowledgeable (60%) about the availability of this service than Puerto Ricans (49%) and whites (52%).

(f) *Education*.—Puerto Ricans and Negroes were more likely to realize that education and training was available for them and their husbands (56% and 57%) than were whites (42%). Included in the list of prospective services was Departmental help in sending a good student to college (a service actually provided). This was the least known service of all. 37% of the Puerto Rican mothers reported this service available, compared to 18% of the Negroes and 15% of the whites. A third or more of each group replied "don't know," and nearly half of the Negroes and whites replied negatively.

(g) *Marital Advice*.—Less than half the sample knew that the Department provided advice about marital problems. Forty percent of the Puerto Ricans replied affirmatively, somewhat more than Negroes and whites did (33%).

(h) *Money Management*.—Only about half the sample—55% of the Puerto Ricans, and 47% of the Negroes and whites—knew that the Department provided advice about "... places to shop or how to manage ... money."

Summarily, knowledge was highest for the "basic services"—special "extra money" grants and medical-dental care—and lowest for the various "social" and "rehabilitative" services such as money management, education, marital advice, etc.

#### WILLINGNESS TO ASK FOR SERVICES

Clients were asked, "Would you ask your investigator (now called caseworker) if you wanted ..." with particular items following. Over nine out of ten respondents answered affirmatively to "extra money for clothing or household things." The proportions responding "Yes" to the other items were less, especially for Negroes and whites.

[In percent]

|                                     | Puerto Rican | Negro | White |
|-------------------------------------|--------------|-------|-------|
| Medical or dental appointments..... | 84           | 74    | 72    |
| Talk about children's problems..... | 81           | 63    | 65    |
| A new place to live.....            | 82           | 57    | 59    |
| Help on finding a job.....          | 82           | 70    | 62    |
| Advice on money management.....     | 64           | 53    | 51    |

#### ATTITUDES TOWARD ELIGIBILITY INVESTIGATION

As a result of the eligibility investigations, Negroes were somewhat more likely than the rest to feel insulted, to feel that the Department does not trust them and has no respect for them; whites were more likely to feel ashamed. However, as is indicated in the data given below, such negative reactions to these inquiries, as conducted in New York City, were voiced by only a minority of the respondents.

In answer to a general question about eligibility investigations, whites were most likely to dislike them, Negroes less so, and Puerto Ricans least of all.

|                                       | Puerto Rican | Negro | White |
|---------------------------------------|--------------|-------|-------|
| Effects of eligibility investigation: |              |       |       |
| Percent feeling ashamed.....          | 30           | 33    | 42    |
| Percent feeling insulted.....         | 20           | 33    | 27    |
| Percent feeling no respect.....       | 22           | 32    | 28    |
| Percent feeling no trust.....         | 39           | 44    | 41    |
| Percent dislike very much.....        | 6            | 15    | 17    |
| Percent dislike somewhat.....         | 18           | 29    | 39    |
| Percent don't mind it.....            | 76           | 56    | 43    |
| Number.....                           | (619)        | (623) | (293) |

Sixty-three percent of the Negroes, 57% of the whites and 41% of the Puerto Ricans claimed that having their investigator check their eligibility made them wish that they did not have to talk about their personal problems with him.

Preliminary analysis of the data indicates that negative consequences of eligibility investigations is *inversely* related to the extent to which clients perceive their caseworker as a "helping person" and the Department as a "helping agency."

#### PERCEPTIONS OF THE DEPARTMENT OF WELFARE

Puerto Rican respondents were more likely to believe that the Department of Welfare "tries to help anyone who really needs it" (88%, compared to 75% and 80%, respectively, for Negroes and whites) and that it "*really cares* about Welfare clients and their problems" (79% in contrast to 57% and 59%).

White clients were less likely to feel that most personnel "in the Department of Welfare do *not* understand the problems of welfare clients" (52%, compared to 65% for Negroes and 57% for Puerto Ricans), that the Department "is *more interested* in checking to see if you're eligible than in helping you" (63%, in contrast to 79% and 78%), and that it "gives some families too much and others too little" (54%, compared to 75% for Negroes and 67% for Puerto Ricans).

Summarily, Negro respondents were most likely to perceive the Department of Welfare negatively. Among the A.D.C. mothers in this study, the Negroes were most disaffected.

\* \* \* \* \*

The data reported upon above, and other information gathered in the course of the research projects cited, are still being analyzed. When more elaborate analyses are completed, they will be made available to the Subcommittee.

## APPENDIX 14

### STATEMENT OF HOWARD M. SQUADRON ON BEHALF OF THE AMERICAN JEWISH CONGRESS

#### GUARANTEED INCOME

The American Jewish Congress welcomes this opportunity to present a statement to this Committee on the subject of Guaranteed Annual Income.

The American Jewish Congress supports the principle of a guaranteed income for all Americans, that is, a nationally financed system of cash payments to families and individuals whose incomes fall below an officially determined national standard of minimum subsistence. Although we are not committed at this time to any particular program or method of achieving this goal, we are firmly convinced that, in this era of unparalleled material abundance and economic affluence, this country can and should assure all its people a standard of living adequate to maintain health and dignity. We do not regard the guaranteed annual income as a substitute for a program of full employment and job training but we recognize that there will remain substantial numbers who cannot avail themselves of these programs or whose earnings remain substandard; and for these the guaranteed annual income is a national imperative.

#### INTEREST OF THE AMERICAN JEWISH CONGRESS

The American Jewish Congress is a national organization of American Jews formed in part to protect the religious, civic, political and economic rights of Jews, to strengthen and preserve Jewish life and values and to promote and extend the ideals of American democracy. At its most recent Biennial Convention, held in Miami, Fla., from May 14-19, 1968, delegates representing American Jews in all parts of the country reaffirmed our organization's longstanding commitment to the attainment of economic justice and equality for all Americans. We regard this commitment to the disadvantaged as an integral part of the social, religious tradition of the Jewish People, a tradition which this organization seeks to preserve and extend.

The concept that it is a public responsibility to provide for the poor to enable them to live in health and dignity is central to Jewish thought.

The Pentateuch, the core document of Jewish law, proclaims that the poor have both a moral and a legal right to be supported. In fact, the Pentateuch speaks in a sense of a "guaranteed annual income" for the poor when it decrees that the poor shall receive "that which grows on the corners of the field." It is also stipulated therein that "the forgotten sheaf and fruit, the produce of the fields in every seventh year and the tithe of the harvest of every third year" belong as a matter of right to the poor.

This early Jewish tradition of legal responsibility to the less fortunate of the community has been retained intact throughout the years of Jewish history. As the agrarian economy of Judea was replaced by the mixed economy of later years, the obligation to maintain the poor was translated into money. Thus, from the taxes and voluntary contributions imposed upon the Jewish community, the resident poor were entitled under Jewish law to sufficient funds every week to defray the cost of their meals as well as additional funds to insure that they would "keep their self-respect."

The traditional Jewish attitude toward the poor which is carried on to this day is nonjudgmental. Poverty is not considered the "fault" of the poor. "It is not the bitter fruit of laziness and immorality but overtakes those 'who are fallen on evil days.' Poverty as the Jewish mind views it is an aspect of the mystery of God adored as the God of Justice and Mercy who yet permits that 'the wicked prosper and the righteous suffer'" (Weiss-Marin, *The Jewish Spectator*, p. 3, June 1968). Therefore, in the Jewish tradition, the poor must be treated so as to preserve their dignity and nourish their self respect.

## INADEQUACIES OF OUR PRESENT SYSTEM

This religious and ethical concern for economic justice and dignity for all members of our society compel our organization's commitment to the principle of income maintenance. This conviction is reinforced by the recognition that present methods of dealing with the problem of poverty in America are not working. Today, 11 million households, almost 30 million people, fall below the poverty line—that minimum level of annual income which the Social Security Administration has found tolerable from the standpoint of nutritious diet, adequate shelter and the other aspects of living necessary for a minimum healthful existence. That this is but a minimum standard is emphasized by the fact that it allows only 75¢ per day for total food expenses and adds only twice this amount to cover all family living expenses other than food. Of the 30 million people living below the poverty line, one-half are children. Among those children one-half again are in families of more than five children.

Nonwhites, the aged, and members of households headed by women are among those groups whose incidence in the poverty population is greater than their representation in the general population. Yet, no section of this country is exempt from this scourge of poverty. Almost two out of three poor Americans are white. There is extreme poverty in the Appalachian region as well as on Indian reservations.

We already have, of course, a variety of public income maintenance systems. Social security, veterans' benefits, unemployment insurance, workmen's compensation, aid to the aged, the blind and the handicapped, the AFDC for female heads of families and for unemployed fathers, and the general relief of states and municipalities, all seek to provide an income floor for various categories of needy persons. However, it has been estimated that only about one-fourth of the current poverty group are in fact receiving public assistance. The fact that three-fourths of this group do not receive such assistance shows how restrictive the eligibility requirements are; while the further fact that one-fourth of those below the poverty line receive public assistance and still fail to meet minimum subsistence standards graphically demonstrates the inadequacy of some of our present assistance programs. In Mississippi, the average payment for an AFDC recipient is \$9.25 per month. As of December 1966, South Carolina paid an average of \$62.10 a month for an entire AFDC family. Not only do these programs leave out far too many poor, with inadequate payments to those whom do cover, but the manner in which they identify and treat the poor breeds continued dependency and sows the seeds of character deterioration, crime and riots. As Daniel Moynihan, student of this subject, so aptly put it "... the present welfare system is serving to maintain the poorest groups in society in a position of impotent fury. Impotent because the system destroys the potential of individuals and families to improve themselves. Fury because it claims to do otherwise" (Moynihan, "The Crisis in Welfare," *Position Papers, etc. for the Governor's Conference on Public Welfare*, November 2-3, 1967, P. 73).

In his condemnation of the present system, Moynihan is joined by other students of the subject representing views from almost every point along the political spectrum. President Johnson himself, in appointing a National Commission to recommend needed revisions in our present welfare and income maintenance, termed the present system "outmoded and in need of change." The American Jewish Congress commends this Joint Committee for initiating its own inquiry into this vital area of concern and for the completeness and depth of its investigation. The results of this hearing should no doubt contribute much to the available information on this vital subject as well as to the formation of informed conclusions and the framing of appropriate legislation.

## INCOME MAINTENANCE JUST A PART OF A MULTIPRONGED ATTACK ON POVERTY

Pending the report of the National Commission and of this Joint Committee as well as the presentation of detailed legislation embodying various income guarantee plans with analysis of their costs and benefits and effects on the recipients and the economy, the American Jewish Congress has not committed itself to any particular program or method of income guarantee. In broad outline, however, and at this point of time, it sees the income maintenance program as part of a multipronged attack on poverty. We recognize, for example, that guaranteed income is not a substitute for programs of full employment and human resources development. We have urged in testimony before the House Committee on Education and Labor that the Government should, through its own programs and by stimulating private industry, create enough jobs to give

constructive occupation to all those who can and should work. We are confident that none of the Federally-created jobs need be make-up jobs because our unmet needs in the public and private sectors are vast enough to absorb beneficially this Federal effort. We have also urged that training programs be synchronized with job creation to insure proper motivation for participation in such training programs and guarantee constructive utilization of the skills so developed. We also urge the enactment of increased unemployment and social security benefits, higher and more inclusive, Federal minimum wage laws to eradicate sub-standard living conditions among the employed, an all-out effort to wipe out city ghettos and rural slums, and expanded outlays for health services, hospital and school construction, and vocational and other types of education service. We support more vigorous enforcement of present antidiscrimination laws, strengthening of the existing Federal law dealing with employment discrimination, and passage of additional legislation in this area by states and municipalities. It is our firm conviction that these measures will contribute to sustained full employment and reduce the number of persons in need of an income guarantee.

#### CRITERIA FOR INCOME MAINTENANCE PROGRAM

In considering an income maintenance plan for all those who, despite the enactment of the programs urged above, are still in need, the American Jewish Congress urges that such a plan meet the following criteria :

1. Payments should be available to all in need throughout the nation as a matter of right. Need should be objectively and uniformly measured throughout the country in terms of the size and composition of the family unit, its income and other economic resources. Simplified declarations of income or lack thereof should be all that is required, with spot checking used to prevent fraud as is now done under the Federal income tax laws.
2. The plan should be adequate to maintain health and human dignity.
3. The plan should be responsive to cost of living differentials throughout the country and permit adjustments to changes in living costs.
4. The plan should be developed and administered in a manner which will encourage healthy family life, respect privacy and the needs and rights of individuals to manage their own lives so long as they do not infringe upon the rights of others, increase the independence and the individuality of recipients, and enable recipients to participate in community life.
5. The plan should be designed to encourage productive activity on the part of recipients, providing incentives to beneficiaries to take vocational training and accept employment where it is appropriate.
6. Individuals should have a clear right to administrative and judicial review of agency actions withholding assistance.

We are aware that such a system of income guarantees would involve substantially increased Federal expenses. However, we agree wholeheartedly with the conclusion of the Kerner Commission on this subject. "... if the deepening cycle of poverty and dependence on welfare can be broken, if the children of the poor can be given the opportunity to scale the wall that now separates them from the rest of the society, the return on this investment will be great indeed" (Report of the National Advisory Commission on Civil Disorders (1968), p. 25).

Adopting some form of guaranteed annual income will not only rescue from poverty those who are not reached by existing programs but also free our present caseworkers from the burdensome case-by-case investigations of eligibility. These investigations are not only onerous, confusing and demeaning for the applicants—the calculation of budget allowances has been known to reach down to the number of razor blades to which a male on welfare is entitled—but interfere with the provision of adequate social services and guidance that people may need almost as much as money. Similarly, the assumption of full Federal financial responsibility to assure a minimum decent standard of subsistence for all Americans based on need will free state funds to finance other necessary programs. Such state funds could be used for improved basic literary and remedial education services, for legal services, adequate day care services for children of poor working mothers or for special care and training at home or in foster homes, or in institutions for the physically and mentally handicapped.

We are convinced that the goal of a guaranteed annual income is worthy of the support and sacrifice of all of us. We are also convinced that it is well within this nation's grasp. We hope the deliberations of this Committee will produce a viable plan for making this goal a reality.

## APPENDIX 15

### POLICY STATEMENT ON POVERTY, JOBS AND INCOME

#### FRIENDS COMMITTEE ON NATIONAL LEGISLATION\*

##### POVERTY IN THE UNITED STATES

Remunerative employment for those able to work provides the best answer to the problem of poverty. For those unable to work, present methods of combating poverty and supplementing income—such as Social Security, minimum wages, food stamps, school lunches, public housing, unemployment compensation, medicare and medicaid, welfare payments, family and old age assistance and aid to dependent children—while having done much to improve economic and social conditions still have left many people in dire poverty, often through no fault of their own. Therefore a comprehensive new approach is needed to assure jobs and a minimum income with sufficient purchasing power for the approximately one fifth of the American people now living below what are widely minimum standards of income for health and decency. Children are the most tragic victims of poverty, through the stifling of creative potential. In essence, poverty deprives many Americans of their inalienable rights (as set forth in the Declaration of Independence) to "Life, Liberty and the Pursuit of Happiness."

##### POVERTY CAN AND MUST BE ELIMINATED

Modern technology is increasingly bringing within man's capabilities the elimination of poverty in the United States. For the first time in our history adequate nutrition is possible for every person in the USA. Involuntary poverty is therefore ethically intolerable. The persistence of poverty has become a matter for which men are morally responsible.

##### SOME GENERAL PRINCIPLES WHICH ARE APPLICABLE

An analogy with the family is helpful. Each member, within his or her abilities, is considered responsible for contributing to the welfare of the family as a whole. No individual member has the inherent right to shift his responsibility to others, or to have whatever he wants without effort or contribution. But the family as a whole has the responsibility to meet the minimum needs of any of its members who are unable to contribute. Similar principles should apply, so far as they can, in the large family which is the people of our country, and to the people of the world.

##### GOALS FOR A RESPONSIBLE SOCIETY

1. *Basic health, education and training.*—The first responsibility of society is to give everyone the opportunity to be self-supporting, and make a constructive contribution to society. This entails the provision of adequate health care, education and training.

2. *Jobs for those able and free to work.*—The second responsibility of society is to provide jobs, either in the private sector, or the public sector of the economy, for all who are able to work. This means a massive program of jobs, both in the rural areas of poverty from which many people come to the ghettos, and in the cities themselves. Every possible encouragement should be given to bring industry and other employment into these areas. In order to bring jobs and people together, the mobility of the residents of the inner city or rural slums must be increased. Present transportation facilities are frequently woefully inadequate.

Special programs are needed to help disadvantaged people to develop their own businesses and cooperatives. The example of the successful system of farmer

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\*Statement submitted by El. Raymond Wilson, Executive Secretary Emeritus.

owned cooperative credit associations and banks for farmer cooperatives, established in the 1930s with initial government capital and assistance in management and channels of borrowing from the commercial money market, might well be applied to helping disadvantaged people to help themselves.

We are now in a situation where society must find ways to employ some people in other than profit-making enterprises, because the profit-making side of our industrial complex has not always absorbed the entire labor pool. The decreasing demand for unskilled labor further complicates the problem. We have to face the fact that we are moving into an era where for various reasons including the effects of automation on the unskilled labor market, there may not be jobs available for all who want to work, and that there may be more and more unemployed. We should recognize also that there may be many contributions that can be made in addition to earning money in a productive enterprise. Caring for children and the ill, creative efforts in the field of music and the arts, and many social services, are examples.

3. *Sufficient Income to provide minimum acceptable standards for those unable to work, or unable to find work.*—The third responsibility is to those who are unable to work. These include those too young, too old, or those who should take care of their children instead of seeking outside employment, or who are ill. It also includes those looking for work and unable to find it, or deprived of work by circumstances beyond their control, or whose work provides less than a minimum standard for a decent living. Demand for goods and services resulting from full purchasing power in the hands of every family in the United States would help create far-reaching prosperity in our entire economy. It would benefit Agriculture, Industry and Commerce. It would move us in the direction of using more of our capacity to grow food, and to provide better nutrition for our people, and thus lessen the reliance upon restrictive agricultural policies.

#### NEED FOR AN IMPROVED SYSTEM OF INCOME SUPPLEMENTS

Wealth in the modern world largely has to be created by the application of hand and brain. So we believe that everyone has an obligation to contribute as effectively as he can to the general welfare where possible, so that society as a whole can discharge its responsibility to put a floor under income for every family unit in the United States. We should recognize as a human right the claim upon society for that which a person needs in order to contribute to the social good, and to live at his best as a person.

We believe that a system of assuring income is necessary, morally right and economically feasible. Widely discussed proposals for providing income supplements include the negative income tax, direct family and children's allowances, and improved welfare programs with adequate standards of assistance. Among the various alternatives the negative income tax would seem to be the most feasible. For administration of such a program, one possibility would be the Internal Revenue Service in conjunction with the Social Security Administration.

#### CRITERIA FOR AN EFFECTIVE PROGRAM

A program of income supplements should meet the following criteria:

- (1) It should be available as a matter of right.
- (2) It should be adequate to maintain health and human decency.
- (3) It should be designed so as to reflect changes in the cost of living.
- (4) Periodic redetermination of payments should be based primarily on the individual's certification of income, rather than upon cumbersome, degrading and costly investigative procedures.
- (5) It should be developed in a manner that will respect the freedom of persons to manage their own affairs, increase their power to choose their own careers, and to enable them to participate in meeting personal and community needs.
- (6) It should provide greater incentives for recipients to do whatever they can to support themselves; to maintain the integrity of the family instead of furnishing grounds for the father to leave so his children can get aid to dependent children; and to encourage family planning.
- (7) It should be geared to family size.
- (8) It should be designed to afford incentive to socially useful activity.
- (9) It should be designed in such a way that existing socially desirable programs are conserved and enhanced, but should replace as many existing "welfare" programs as possible.



SOME FURTHER CONSIDERATIONS REGARDING THE PAYMENT OF INCOME SUPPLEMENTS—  
INCENTIVES SHOULD BE ENCOURAGED

It is important that a policy of underwriting family income should encourage the earning of additional income rather than discourage it as most welfare programs now do. Furthermore, motivational research is revealing various sources for incentives besides the economic, such as prestige, power, and social usefulness. Indeed, access to income may strengthen motivation and liberate creativity.

SOME OTHER EXAMPLES OF INCOME TRANSFER PAYMENTS

The proposed idea of income transfer payments is not at all new in American political life—just the adaption to those in poverty, who need it most. For years farmers have been paid more than a billion dollars a year not to raise food on productive land, and additional millions for price supports and other agricultural benefits. Business gets huge concessions including oil depletion allowances, tariff protection and other considerations. There have been income supplements for airlines and the maritime industry, etc. A negative income tax would be a supplement program based on the need for at least the minimum essentials for a decent life. The cost would be only a fraction of the cost of the Vietnam war, or the current Defense budget.

INCOME SUPPLEMENT NOT A PANACEA FOR ALL THE PROBLEMS OF POVERTY

We recognize that a minimum assured income is not a substitute for programs of full employment and human resource development including training for jobs, nor for adequate medical care and services, nor for the provisions of good housing. It is not a panacea for all the social and economic problems encountered by the family and the individual in the course of a full life cycle. There will still have to be provisions for meeting temporary emergencies, and for a variety of social services, but it ought to supplant the present wasteful and degrading welfare system. Since our system works imperfectly, it is, of course the responsibility of society to devise new institutions which will adequately fulfill basic human rights.

RELATION TO WORLD WIDE POVERTY

Eliminating poverty in the United States could be an important forerunner for a world wide attack on poverty. The United States cannot be an island of affluence in a world of misery and poverty. A program of income maintenance could enhance our capacity as a nation to contribute more effectively toward raising the standard of living and attacking the causes of poverty in the rest of the world.

RECOMMENDATIONS

We recommend that citizens—

1. Study the various methods of assuring every individual and family a job and income capable of supporting human life in dignity and decency.
2. Participate in the development and implementation of those policies and programs which best fulfill the above criteria.

(The above statement was approved in principle on May 15, 1968, by the Administrative and Policy Committees of the Friends Committee on National Legislation, for guidance of the staff prior to the meeting of the FCNL General Committee.)

## APPENDIX 16

### FALLACIES OF THE NEGATIVE INCOME TAX

(By Henry Hazlitt\*)

There is talk about guaranteeing every family an income of at least \$3,200 a year. If a family earned less than this, the government would make up the difference. The Gallup Poll recently asked people whether they favored or opposed such a plan. Only 36% of those questioned answered yes; 58% were opposed outright.

Their principal objection to the plan is that it would destroy incentives to work and earn. But some social reformers believe they could escape this result by what they call a "negative income tax." Instead of guaranteeing every family \$3,200 a year, they would pay every family \$1 for every \$2 that its own earned-income fell short of the \$3,200. To put it another way, they would give \$1,600 a year to every family with no earned-income, and then tax the family's first \$3,200 of self-earnings at a rate of 50%.

The advantage claimed for the negative income tax (NIT) is that it would not, like the straight guaranteed income, completely destroy the incentive of people to work and earn money for themselves. But the NIT merely substitutes a dilemma of its own. Either it must pay only half an adequate income to a family that earns no income, or it must pay twice an adequate income to a family that already earns an almost adequate income.

An orthodox relief program would pay the jobless head of a family, say, \$60 a week. If he then started to earn something, he would be paid simply the difference between that amount and \$60. Under the NIT principle a man who was earning nothing would also receive a relief payment of \$60 a week. But if he then earned \$30 a week on his own he would still get a \$45 payment (reduced by only \$1 for every \$2 earnings), bringing his total income to \$75 a week. If he was later able to earn the full \$60 for himself he would still be getting a relief payment of \$30 a week, bringing his total income to \$90. In fact, even if he succeeded in bringing his total self-earnings to \$118 a week he would still be getting \$1 a week in relief payment.

He would then be almost twice as well off economically as he would if he had always earned enough—say \$61—not to get on the relief rolls in the first place. This would be clearly inequitable to those who had never got on relief. The incentive to get on relief, and certainly to stay on relief, would be enormously greater under NIT than under the present system.

If we tried to escape this result by using the NIT formula only in part, and taking the man off relief, say, as soon as he was himself earning \$60 a week, we would get an even more absurd result. When he was earning \$58 a week under NIT, he would still be getting \$31 a week from the government, making his total income \$89. But if he then made the mistake of earning only \$2 more he would end up with a net *loss* of \$29 a week. So the negative income tax would create a tremendous positive incentive to get and stay on relief permanently.

The NIT scheme could avoid this preposterous result by paying a man with zero income only, say, \$30 a week, or only half as much as its own logic assumes that he needs to live on.

In addition to this special dilemma, the NIT has the fatal defects of the straight guaranteed income. By neglecting the careful applicant-by-applicant investigation of needs and resources made by the ordinary relief system, it would open the government to massive fraud, cheating and swindling. And it would also force the taxpayers to support a man regardless of whether he was making any effort to support himself.

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\*The Henry Hazlitt Column, Los Angeles Times Syndicate, Los Angeles, Calif.

## APPENDIX 17

### STATEMENT BY HAROLD WATTS, UNIVERSITY OF WISCONSIN, PROFESSOR OF ECONOMICS AND DIRECTOR OF IRP

More than 1228 economists at 143 institutions of higher learning in the country have endorsed a bold statement urging Congress to enact a national system of income guarantees and supplements.

The economists' statement emphasizes two requirements for a workable and equitable plan:

(1) "Need, as objectively measured by income and family size, should be the sole basis of determining payments;

(2) to provide incentives to work, save and train for better jobs, payments to families should be reduced by only a fraction of their earnings."

In the judgment of the economists, income guarantees meeting these requirements "are feasible and compatible with our economic system."

The statement was sponsored by: Professor Paul A. Samuelson, Massachusetts Institute of Technology; Professor John Kenneth Galbraith, Harvard University; Professor James Tobin, Yale University; Professor Robert Lampman, University of Wisconsin; and Professor Harold W. Watts, University of Wisconsin.

Both the sponsorship and widespread endorsement of the statement indicate broadly based support among professional economists for reforms in our programs of income maintenance and welfare. This expert testimony reinforces the demands of the Poor People's Campaign, the Kerner Commission's call for action, and the conclusions of a distinguished panel of business leaders recently convened by Governor Rockefeller.

Fifty-four signatures were obtained from economists at the Madison Campus of the University of Wisconsin; nine additional endorsements came from the Milwaukee Campus. A supplementary effort is under way to make sure that all economists at Wisconsin Colleges and Universities have an opportunity to consider and endorse the statement.

Prominent among the signers at Madison is Professor Harold M. Groves whose work on taxation, unemployment compensation, and other major social legislation was honored only three days ago on the occasion of his retirement. Professor Groves' endorsement, among the many distinguished signers, must be given extra weight in view of his particularly relevant experience and authority.

Since last Friday more than 50 signatures have been obtained from graduate students in economics at Madison. The support of the rising, and socially aroused, generation of economists juxtaposed with that of the more seasoned and experienced scholars, demonstrates an almost unique unanimity in favor of immediate action.

It is the hope of the sponsors that this statement will make a timely and significant contribution to a national consideration of policies to meet our urgent needs for social and economic justice.

### STATEMENT BY HAROLD WATTS, UNIVERSITY OF WISCONSIN, PROFESSOR OF ECONOMICS

For a long time after proposals of a negative income tax first appeared, I was opposed to the idea. I found it repugnant to provide people with gratuitous income and thought it better to seek wider opportunity. My present firm support for income maintenance grows out of study of our present welfare system. It is properly regarded by objective critics as a national disgrace.

Our welfare system is discriminatory, inadequate, and degrading. Its local responsibility makes it subject to competition in niggardliness. It is highly perverse as to incentives providing in many cases a 100 percent tax on marginal income from a job. It fragments families: in many cases welfare is only available if the father deserts his family.

The system could be reformed by the provision of federal funds, the requirement of federal standards, and the recognition of some rights for the poor as against the bureaucracy. But were all this done the system would hardly differ from the negative income tax proposal.

Automation has made an income maintenance program both necessary and economically feasible.

#### A STATEMENT BY ECONOMISTS ON INCOME GUARANTEES AND SUPPLEMENTS

The undersigned economists urge the Congress to adopt this year a national system of income guarantees and supplements.

The Poor People's Campaign in Washington is demanding a guaranteed minimum income for all Americans. The Kerner Commission on Civil Disorders called for a national system of income supplements. A group of business leaders recently advocated a "negative income tax." These proposals are all similar in design and purpose.

Like all civilized nations in the twentieth century, this country has long recognized a public responsibility for the living standards of its citizens. Yet our present programs of public assistance and social insurance exclude millions who are in need and meet inadequately the needs of millions more. All too often these programs unnecessarily penalize work and thrift and discourage the building of stable families.

The country will not have met its responsibility until everyone in the nation is assured an income no less than the officially recognized definition of poverty. A workable and equitable plan of income guarantees and supplements must have the following features: (1) Need, as objectively measured by income and family size should be the sole basis of determining payment to which an individual and/or family is entitled. (2) To provide incentive to work, save and train for better jobs, payments to families who earn income should be reduced by only a fraction of their earnings.

Practical and detailed proposals meeting these requirements have been suggested by individual sponsors of this statement and by others. The costs of such plans are substantial but well within the nation's economic and fiscal capacity.

As economists we offer the professional opinion that income guarantees and supplements are feasible and compatible with our economic system. As citizens we feel strongly that the time for action is now.

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## APPENDIX 18

BY EDWARD E. SCHWARTZ

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*A Way To End the Means Test*

THE KENNEDY-JOHNSON war on poverty is avowedly aimed at the abolition of poverty. The grand strategy as revealed thus far is *prevention* through increased provision of gainful employment.

The social work profession has long been committed to the objectives of this war and to the strategy of prevention. Social workers strongly support measures for increasing the demand for employment and for preparing young persons and displaced workers better to meet the demands of the labor market through improved educational, health, and other community services. Yet at any given time not all persons and families will—or necessarily should—be related to a payroll. To insure victory the attack on unemployment must be supported by a system of defense that will assure the maintenance of income for all families. The treatment of poverty, like the treatment of other ills, through alleviation, reduction, and control, is in itself a necessary form of prevention against the spread and perpetuation of the problem. This may seem obvious to social

workers, but it is also obvious that this fact has to be repeated frequently.

The current chief defense against poverty is, of course, the social security system; the last line of this defense is public assistance. A most notable aspect of the public assistance programs in the United States today is the dissatisfaction expressed toward them by all parties concerned—the applicants for and the recipients of assistance, the rank-and-file of public assistance staff, legislators, and the public at large—and it is hardly possible to exaggerate the extent and depth of this dissatisfaction. The *treatment* aspect of the war on poverty will require a more effective operation than can be provided through our battered, tired public assistance programs. The public assistance programs will not be good enough even though they be pasted together with surplus-food stamps, glossed over with pseudo-service amendments, or even braced up with Kerr-Mills old age medical payments.

Like many other groups in the population, social workers have become increasingly critical of the public assistance programs, but for their own reasons. They have shown their skepticism of the possibilities of

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providing high-standard professional services within the framework of public assistance agencies clearly, but chiefly silently, by staying away in droves from employment in these programs. More recently a few lonely academics, crying in the wastelands, have publicly raised important questions and given vent to righteous indignation about the vagaries and inequities of the treatment of the poor.<sup>1</sup>

The recent social work literature of this country appears to offer no specific proposals that would be better suited to contemporary society than is public assistance for maintaining the income of the millions of impoverished families who are untouchable ("not covered") by the "social insurances." Recently Walter C. Bentrup inveighed, feelingly and effectively, against the archaic public assistance means test approach and challenged the social work profession "... to visualize the characteristics of a better one."<sup>2</sup> The purpose of this article is to propose an income maintenance program that would involve neither a means test nor contributions to an earmarked insurance fund and to discuss some of the salient features of this plan.

### FAMILY SECURITY PROGRAM

The proper treatment of poverty in the United States today is for the federal government to guarantee to every family and person in this country, as a right, income sufficient to maintain a level of living consonant with American standards for the growth and development of children and youth and for the physical and mental health and social well-being of all persons. The right to a livelihood must be recognized and guaranteed as a constitutional civil right. The most satisfactory way to implement such a

guarantee is through a modification and expansion of the present mechanism for the collection of the federal income tax.

Every person who is either the head of a family or is not a member of any family would file each year a financial statement of his anticipated income for the coming year, as well as a statement of his income for the past year, and information on the number of his dependents. If his anticipated income for the coming year is below his Federally Guaranteed Minimum Income (FGMI) he may then file a claim for a Family Security Benefit (FSB) in the amount of the difference. If his anticipated income is above his FGMI he will pay an income tax as under present tax law and procedures. After the first year of operation of the Family Security Program, reports of a family's income for the past year and any changes in the number and kinds of dependents will be used to revise prior statements of anticipated income and to make adjustments of Family Security Benefits received for the past year.

Reports of income on which benefits are based will be made in the same style used for individual income tax returns. Methods of checking and auditing of claims for FSB will be developed as expansions of present methods for processing individual income tax returns. This includes field investigation of a sample of cases and of all cases that are highly complex, questionable, or involve large sums. Procedures for checking and auditing will include those recently instituted by the Internal Revenue Service for charging to the individual account of each taxpayer all payments to him of wages, salaries, and other income now subject to identification by a social security number. The kind of automatic data processing equipment now installed at Morgantown, West Virginia, for checking income tax returns against collated information on income payments to individuals can be used as well for checking the validity and accuracy of claims for FSB.

The level of the FGMI for families of different size will be established by a presiden-

<sup>1</sup> See Eveline M. Burns, "What's Wrong With Public Welfare?" *Social Service Review*, Vol. 36, No. 2 (June 1962), pp. 111-122; and Alan D. Wade, "Social Work and Political Action," *Social Work*, Vol. 8, No. 4 (October 1963), pp. 3-10.

<sup>2</sup> "The Profession and the Means Test," *Social Work*, Vol. 9, No. 2 (April 1964), pp. 10-17.

tial commission. Provision will be made in the legislation for annual automatic adjustments of dollar amounts on the basis of changes in an appropriate cost-of-living index and for decennial adjustments to reflect changes in standards of living as indicated by appropriate research.

To what extent should FGMI be adjusted to differences in family maintenance costs related to characteristics of members of the family such as age and sex, or to place of residence, regional or urban-rural? Although the use of computers and automatic data processing makes possible increased flexibility in the design of a plan, it should also be recognized that each elaboration increases the complexity of administration and should be adopted only after the net advantages are clearly established.

A problem likely to generate popular interest is involved in the making of FSB payments to families with limited current income but substantial non-income or low-income producing assets. Should FSB payments be made to an aged couple, for example, whose income is below their FGMI but who have \$60,000 invested in tax-free municipal bonds yielding 3 percent per annum? Or the widow who lives in her own home in which she has an equity of \$30,000? A solution to this problem is suggested by the finding that the median net worth of the fifth of all spending units (roughly equivalent to the total of families and unrelated individuals) having the lowest incomes in 1962 was only \$1,000, mostly in the form of equity in dwellings.<sup>3</sup> Persons claiming FSB could be required to include in their annual reports of income a statement of their net worth. Families having a net worth of, perhaps, not over \$13,000 of equity in their own dwellings or \$2,000 exclusive of sole equity would then not be eligible for benefits.

### CAN THE NATION AFFORD THIS?

In discussing the problem of poverty in America the President's Council of Economic Advisers selected the figure of \$3,000

(before taxes and expressed in 1962 prices) as the minimum income for a decent life for a non-farm family of four.<sup>4</sup> The council noted a study made by the Social Security Administration that defines a "low-cost" budget for a non-farm family of four and finds its cost in 1962 to have been \$3,955. The Bureau of Labor Statistics City Workers' Budget, also designed for a family of four, but described as neither "minimum maintenance" nor "luxury" but rather as "modest but adequate" when last priced (1959), exclusive of allowances for the payment of taxes and insurance ranged from \$4,622 for Houston to \$5,607 in Chicago.<sup>5</sup> For the country as a whole, \$5,000 is taken here to represent the cost of a "modest but adequate" annual budget for a family of four.

Using these standards as rough guides the following equally rough estimates may be made of the general order of magnitude of total national payments of FSB at the following levels: minimum maintenance level, \$3,000 = \$11 billion per annum; economy level, \$4,000 = \$23 billion per annum; modest-but-adequate level, \$5,000 = \$38 billion per annum.

The economic feasibility of a proposal for a Family Security Program at the minimum maintenance level is specifically attested to by the Council of Economic Advisers in the following terms:

Conquest of poverty is well within our power. About \$11 billion a year would bring all poor families up to the \$3,000 income level we have taken to be the minimum for a decent life. The majority of the Nation could simply tax themselves enough to provide the necessary income supplement to their less fortunate citizens. The burden—one fifth of the annual defense budget, less than 2 percent of GNP—would certainly not be intolerable.<sup>6</sup>

<sup>3</sup> *Economic Report of the President* (Washington, D.C.: U.S. Government Printing Office, 1964), p. 67.

<sup>4</sup> *Ibid.*, p. 58.

<sup>5</sup> Helen H. Lamale and Margaret S. Strotz, "The Interim City Worker's Family Budget," *Monthly Labor Review*, Vol. 83, No. 8 (August 1960), pp. 785-808.

<sup>6</sup> *Economic Report of the President*, *op. cit.*, p. 77.

The council's report goes on to express a preference for a solution to the problem of poverty that would permit Americans "to *earn* the American Standard of Living." However, the report further states:

We can surely afford greater generosity in relief of distress, but the major thrust of our campaign must be against causes rather than symptoms. We can afford the cost of that campaign too.<sup>7</sup>

The gross national product of the United States is now about \$600 billion per annum. If the Federally Guaranteed Minimum Income for a family of four were set at the \$5,000 per annum modest-but-adequate level the *gross cost* would be less than 7 percent of the gross national product—still quite tolerable. At whatever level the FSB is set the *net cost* of benefit payments would of course depend on the extent to which these were offset through reductions in expenditures of existing welfare programs.

All public welfare payments under present federal, state, and local programs including public assistance, veterans' benefits, unemployment compensation, and old age and survivors insurance benefits, but excluding health and education, now total about \$33 billion. Public assistance payments alone are close to \$5 billion and almost the entire amount could be taken immediately as an offset against payments of Family Security Benefits. Savings from other welfare programs would be dependent on the extent and rate at which they could be "phased out." Appreciable savings would also be effected through the substitution of modern accounting and auditing techniques and the use of automatic data processing for the present costly, slow, and labor-consuming procedures for determining initial and continuing eligibility of each family through office interviews, home visits, investigation of each family's income and resources, and computation of individual budgets and budget deficits on a case-by-case basis.

A fresh and useful perspective on how much this country can afford to spend for

welfare measures may be gained by a look abroad. Data gathered by Gordon show public welfare expenditures in various nations as a percent of national income in 1950, 1953, and 1957.<sup>8</sup> In each year the United States ranked lower than any of the sixteen western and eastern European countries reported, and lower than Canada, Chile, Australia, New Zealand, and Israel. The only nations reported that are out-ranked by the United States in this "measure of welfare effort" are Guatemala, four Asian, and three African and Middle Eastern countries.

In a recent analysis of the share of industrial production allocated to the beneficiaries of governmental welfare programs, Colm selected for comparison Sweden as the western European country most advanced toward the "welfare state" and Germany as that which is often considered the nearest approximation to a "free enterprise" country. He found that the relative size of social welfare expenditures was about the same in both countries and considerably higher than in the United States. He declares that there is a great deal of unfinished business in the development of our social welfare programs and concludes:

With the technical knowledge of our age we will have the material means available for eliminating poverty as a mass phenomena [*sic*]. We can only hope that we will also develop the attitudes necessary to use these resources for the benefit of those who will not automatically benefit from economic growth and rising incomes and *from the conventional security and welfare programs*. [Author's italics.]<sup>9</sup>

Now that our war on poverty blows hot we should be able to find the wherewithal to wage it.

<sup>8</sup> Margaret S. Gordon, *The Economics of Welfare Policies* (New York: Columbia University Press, 1963), pp. 15-16.

<sup>9</sup> Gerhard Colm, "The Economic Base and Limits of Social Welfare," *Monthly Labor Review*, Vol. 86, No. 6 (June 1963), pp. 695-700.

<sup>7</sup> *Ibid.*

## ORIGINS OF THE PROPOSAL

Schemes for a redistribution of income have a long and interesting history and in fact and in fancy constitute a substantial portion of Utopian literature.<sup>10</sup> Utopian ideas represent leaps—sometimes highly creative and fruitful leaps—into the future. Proposals for social policy, such as this modest one, are more likely to be simply a drawing together and reformulation of existing ideas about a state of affairs deemed more desirable than the existing situation and one that may be achieved by a series of specified actions, that is, through a plan. An examination of the origins of the essential ideas brought together in this proposal for a Family Security Program will serve to point up some of the issues that will have to be faced in considering a plan of action.

The present proposal derives somewhat from the literature and history of family allowances, but more directly from the writings of Lady Rhys Williams. Her proposal is for a new social contract

... whereby the State would acknowledge the duty to maintain the individual and his children at all times and to assure for them all of the necessities of a healthy life. The individual in his turn would acknowledge it to be his duty to divert his best efforts to the production of the wealth whereby alone the welfare of the community can be maintained.<sup>11</sup>

Under this contract a benefit would be paid to every person who is employed or

unemployable, or, if unemployed, is willing to accept suitable employment. Benefits would be paid in addition to earnings and income from other sources. Financing would be through a flat rate income tax that, when combined with per capita benefit payments, would produce the net effect of a progressive income tax.

The social contract is designed to solve the following problems: (1) the distribution of wealth, (2) the freeing of the unemployed to undertake part-time work for profit, (3) the maintenance of a stable price level, (4) the ending of opposition between taxpayers and state beneficiaries, (5) the complete abolition of the means test, without involving state bankruptcy, (6) the maintenance of full employment, without resort to compulsory labor. Considering the number and magnitude of its objectives, the social contract idea seems disarmingly simple, but when subjected to analysis turns out to be amazingly powerful. The Beveridge plan, which relies heavily on the social insurance principle and was developed contemporaneously with *Something to Look Forward to*, won immediate political interest and support. Subsequent critiques by competent British economists point to distinct advantages in the new social contract.<sup>12</sup>

In this country, Friedman and Theobald recently proposed ways of treating poverty that are reminiscent of Lady Rhys Williams' writings.<sup>13</sup> The similarity of Friedman's and Theobald's proposals is noteworthy in view of the marked variations in their general stance and economic philosophies.

Friedman identifies himself as a liberal, in the nineteenth-century meaning of that

<sup>10</sup> See, for example, Lewis Mumford, *The Story of Utopias* (New York: Boni and Livewright, 1922). In the present atomic-space age it is easy to forget that the earliest form of science fiction was social-science fiction and that this genre too had its uses. Shall we also think on why latter-day social-science fiction (e.g., Huxley's *Brave New World*, Orwell's *1984*) is not Utopian but "Dystopian"?

<sup>11</sup> Lady Juliet Rhys Williams, *Something to Look Forward to* (London, England: MacDonald and Company, 1943), p. 145. This book is, unfortunately, out of print, but a short selection from it appears in William D. Grampp and Emanuel T. Weiler, *Economic Policy, Readings in Political Economy* (Homewood, Ill.: Richard D. Irwin, 1953), pp. 284-292.

<sup>12</sup> Alan T. Peacock, *The Economics of National Insurance* (London, England: William Hodge & Company, 1952), p. 94 ff. See also Denstone Berry, "Modern Welfare Analysis and the Forms of Income Distribution," in Alan T. Peacock, ed., *Income Redistribution and Social Policy* (London, England: Jonathan Cape, 1954), pp. 41-51.

<sup>13</sup> Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962); Robert Theobald, *Free Men and Free Markets* (New York: Clarkson and Tatten, 1953).

term. He is committed to political decentralization and to economic reliance on private voluntary arrangements arrived at in the marketplace. He believes that the most desirable way of alleviating poverty is through private charity, but recognizes that government action is necessary, at least in large impersonal communities. Friedman's proposal, which he terms "a negative income tax," is that if an individual's income is less than the sums of his exemptions and his deductions he would receive from the government as an income subsidy a percentage of the difference. The levels at which subsidies would be set would be determined by how much taxpayers are willing to tax themselves.<sup>14</sup>

If Friedman's philosophy is characterized as the liberalism of the nineteenth century, then Theobald's can safely be placed in the twentieth century—if not later. Theobald's proposal for basic economic security is as follows:

One of the fundamental principles of the present United States tax system is the "exemption" of a part of an individual's income from taxation. At its inception, this exemption insured that taxes would not be paid on that portion of income required to provide a reasonable standard of living. However, the Government lost sight of this aim when increasing the tax load to pay for World War II, and the value of this exemption has been further reduced since the end of World War II by the effects of inflation. The original aim of the federal tax exemption should be raised immediately to a level which would guarantee an un-taxed income adequate for minimum subsistence. Those whose incomes from earnings or from capital did not reach this level would then be entitled to receive further government payments sufficient to raise the incomes to this level and assure their basic economic support.<sup>15</sup>

Theobald points out that the provision of medical care as well as education as a community responsibility would simplify the

establishment of appropriate levels of basic economic security. A consulting economist, he is primarily concerned with the effects of technology, especially cybernetics, the combination of automation and computers, on the distribution of income and on the labor market. He believes that because of the increased productive capacity of our economy it is not only unnecessary but impractical to attempt to make everyone's livelihood dependent upon his working. He accepts the position that Galbraith developed in *The Affluent Society* that we are in an economy of abundance rather than in an economy of scarcity and asserts that an absolute constitutional right to a "due income" is not only possible but essential for the future of the economy.<sup>16</sup>

### THE INCENTIVE TO WORK

Arguments against the treatment of poverty through the use of taxes represent a curious congeries of theories, ideas, and biases. Some are of historic interest only, some persist over time, and still others may be of more recent coinage.<sup>17</sup> For example, the early attacks against the Elizabethan Poor Laws launched by Malthusian enthusiasts: in its current form this movement has, of course, been diverted from criticisms concerning support by the state of the "spawning poor" to the support of birth control programs. The banner of Social Darwinism has long been raised against the puny forces of poor relief in this country, and garnished by the symbols of racial prejudice it is still flaunted in the benighted backwoods around certain state capitals.

Some of the disadvantages of the direct treatment of poverty cited by some contemporary economists are (1) it must be done over and over again and (2) productivity may be inhibited by (a) diverting money

<sup>14</sup> John Kenneth Galbraith, *The Affluent Society* (Boston: Houghton-Mifflin Co., 1958).

<sup>17</sup> Samuel Mencher, "The Changing Balance of Status and Contract in Assistance Policy," *Social Service Review*, Vol. 35, No. 1 (March 1961), pp. 17-32.

<sup>14</sup> Friedman, *ibid.*, pp. 190-192.

<sup>15</sup> Theobald, *op. cit.*, pp. 192-193.



from capital formation and from investment in the nation's industrial plant to taxes and (b) reducing the incentive to work, and especially to work as much as possible.<sup>18</sup>

The only comment that will be made here about the criticism listed first is that, although true, it can also be leveled against eating. The current curious and unique phenomenon of universally bullish economic indicators together with the recent tax reduction should help to mute although not inhibit continued expressions of anxiety about the tax burden.

The chief argument against the present proposal and in favor of the retention of the means test is also one that can be expected to persist over time and that is based on the theory that by insuring everyone a livelihood and removing the whiplash of hunger "most folk won't work"—and that this will be not only demoralizing for the general populace but ruinous of the economy. Social workers and others familiar with modern dynamic psychology may contend that this fear and the argument as a whole derive from an outmoded, simplistic view of human behavior. We can also oppose our professional ethic of ameliorism against what may appear to us to be an unduly pessimistic view of human nature and we can, if need be, produce a considerable amount of clinical evidence to show that mature individuals strive to be productive. However, perhaps the best that can be hoped for here is a verdict of "not proved," for there appears to be an absence of the kind of data needed for policy formulation.

Lady Rhys Williams posits the necessity of providing economic incentives for work as one of the basic tenets of the social contract. Her proposal, like state unemployment compensation laws, provides for payment only if persons accept suitable employment. At the other extreme, Theobald's basic economic security plan is focused on the problem of too few jobs rather than on

the problem of too few takers, and it seems likely that increasing numbers of people will agree with his contention that it is unjust to insist that a person work or starve if no one will give him a job.

Friedman says of his proposal:

Like any other measures to alleviate poverty it reduces the incentive of those helped to help themselves but it does not eliminate that incentive entirely as a system of supplementing incomes up to some fixed minimum worth. An extra dollar earned always means more money available for expenditure.<sup>19</sup>

This effect is gained under Friedman's proposal because the subsidies granted are a fraction of the sum of personal exemption and deductions, which in turn may or may not equal the required income. Friedman's built-in incentive feature is therefore obtainable only at the expense of sacrificing the assurance that all families will receive the income they need.

A work incentive feature can be incorporated into the present proposal for a Family Security Program without sacrificing the guarantee of a minimum income merely by reducing Family Security Benefits by a percentage of earnings. Assuming a family of four and a Federally Guaranteed Minimum Income of \$3,000 the effects of reducing FSB by a percentage that would increase with each earnings bracket is demonstrated in Table 1.

The net effect in this illustration would be that in addition to receiving a \$3,000 FSB, families earning up to \$1,000 would

TABLE 1

| Earned<br>Income | FSB/Taxes                       | Total<br>Income |
|------------------|---------------------------------|-----------------|
| \$ 0-\$ 999      | \$3,000-\$2,400                 | \$3,000-\$3,999 |
| 1,000- 1,999     | 2,399- 1,700                    | 3,399- 3,699    |
| 2,000- 2,999     | 1,699- 900                      | 3,699- 3,899    |
| 3,000- 3,999     | 899- 0                          | 3,899- 3,999    |
| 4,000- 4,499     | 0                               | 4,000- 4,499    |
| 4,500 and above  | Tax on amounts<br>above \$4,500 | 4,500+          |

<sup>18</sup> Allen G. B. Fisher, "Alternative Techniques for Promoting Equality in a Capitalist Society," in Gramp and Weiler, *op. cit.*, pp. 277-278.

<sup>19</sup> *Op. cit.*, p. 192.

retain up to 40 percent of such earnings. If family earnings were between \$1,000 and \$1,999 the family would retain between 35 and 40 percent of this income in addition to their FSB, and so on. An extension of the work incentive feature is gained by fixing an income bracket within which a family could not claim FSB but would be tax exempt. Families earning from \$4,000 to \$4,500 would receive no FSB and would pay no taxes. Families earning above \$4,500 would receive no FSB and would pay taxes only on income above \$4,500.

Total national expenditures for FSB payments including incentive allowances for earnings if the FGMI were set at \$3,000 for a family of four would of course fall between previous estimates of \$11 and \$23 billion. Substantial additional costs, however, would arise from narrowing the present tax base as a result of exempting family income up to \$4,500, in the form of reduced revenues from the income tax.

The Law of Parsimony, the dictates of administrative simplicity, and the social work ethic would all argue against including the incentive feature in the FSB plan, unless and until experience indicates the need for it. However, this is the kind of issue that, if properly structured, may provide reasonable men with grounds for agreement. And those who feel strongly about the necessity of a work incentive should have the opportunity of considering the payment of the additional cost.

### FSB AND SOCIAL WELFARE MANPOWER

Of the 105,000 social welfare workers in the United States, 35,000 or one-third are employed in state and local public assistance agencies.<sup>20</sup> The overwhelming proportion of the time of public assistance staffs goes into the mechanics of eligibility determination and the handling of details of financial assistance and precious little into the provision of restorative, rehabilitative, ther-

apeutic, integrative, socializing services. Suggestions have been made from time to time that one way of achieving a better balance in public assistance programs between the provision of financial service and other welfare services would be to establish functionally specialized staff units for each type of service in the same agency or possibly in two separate agencies.<sup>21</sup> The weakness of this type of proposal is that it does not go far enough. As long as the two functions—the administration of financial service and of other welfare services—appear to require the same kind of activity (e.g., interviewing, traveling, home visiting) by the same kind of staff and with the same clientele it seems highly unlikely that many administrative takers will be found. Contrast with this the evident and substantial gains in the efficient utilization of manpower that would be made available by the adoption of the policies and procedures possible under the federal Family Security Program.

The establishment of a federal Family Security Program would enable state and local public welfare agencies to change the focus and emphasis of their programs in the direction so presciently indicated by the change in the name of the federal Bureau of Public Assistance to the Bureau of Family Services. Poverty is, of course, sometimes preceded by psychological, emotional, health, and other problems of the individual. However, social workers will testify that of far greater import is the effect chronic, hopeless, and grinding poverty, produced by massive external social and economic forces, has on the appearance and exacerbation of problems in the individual and his family. These effects may persist even after financial support is provided and are likely to be of an order that require and respond to social work treatment, fortified by a strong battery of community welfare services.

An important part of a plan to transfer the income maintenance function of the

<sup>20</sup> *Salaries and Working Conditions of Social Welfare Manpower in 1960* (New York: National Social Welfare Assembly, undated), p. 20. Figures given are exclusive of recreation workers.

<sup>21</sup> See Editor's Page, *Social Work*, Vol. 7, No. 1 (January 1962), p. 128; and Eveline M. Burns, *op. cit.*, p. 122.

public assistance programs to a federal Family Security Program would be to extend and expand the extremely limited range of state and local welfare services now provided through public assistance agencies, and to fashion them into a comprehensive flexible program of public services for families. Together with our developing public child welfare service programs we would then have an organizational base for a well-rounded public welfare service available to all the people. Freed of the incubus of the means test and properly selected and equipped and well related to the community and to the social work and other professions, state and local public welfare staffs would have a fair and rare opportunity of making a great contribution to the war against poverty.

### POLITICAL REALITIES

Politicians as well as caseworkers know how to "partialize," and among the kinds of questions that will be asked about the present proposal sooner or later will be, "Do you have to have all of this?" and "What part of this is most important?" One possible ploy will be, "Let's start with children or better yet the aged—they vote."

Almost two decades ago the writer suggested that the unfolding of the Canadian experience with family allowances could be observed with benefit by those in the United States who are concerned with social security and child welfare.<sup>22</sup> Over the years social workers, when overwhelmed by public assistance bureaupathology, are wont to murmur rather wistfully that perhaps they ought to start thinking about family allowances. It is, of course, possible that the present proposal to abolish the means test may not seem to be overly modest to some people and we may be forced to settle at this time for a family allowances program. But this should be resisted even by those of us who think children are the most important

people but who would also like to prevent further "hardening of the categories" and increased complexity in the intricate mosaic or crazy-quilt pattern that characterizes our present social security and welfare nonsystem. The case for starting a noncontributory Family Security Program for the aged might have political appeal, but the fact is that parents of children vote too.

Temporizing is another technique of practical politics and, in a form that social workers themselves have been known to use, includes the appeal to "demonstration and research." We must have research and we must also be clear about the function of research and how it differs from careful planning, detailing, documentation, and justification of proposals for social policy.

Nevertheless, consideration may well be given to the desirability of a geographically limited demonstration of some aspects of the proposal for an FSB plan. For example, through use of federally available research and demonstration funds a state welfare agency might develop a procedure for checking the feasibility of a central mechanical check of eligibility through the use of data processing equipment after the necessary arrangements were made for social security or other numerical identification of all salary, wages, and other types of income payments within the state.

This kind of jurisdiction-limited demonstration would appear to be feasible in a state having a small daily commuting population and an effective state income tax law. Financing of assistance payments in this kind of demonstration would not require new federal legislation inasmuch as nothing in the present public assistance titles of the Social Security Act requires the kind of means test currently used and states are free to submit their own plans for determining need. One of the points of administrative interest in such a demonstration would be a check on possible differences in the completeness of social security identification of income in low- as compared with middle- and upper-income brackets. Other administrative problems such as the frequency of

<sup>22</sup> Edward E. Schwartz, "Some Observations on the Canadian Family Allowance Program," *Social Service Review*, Vol. 20, No. 4 (December 1946), pp. 451-473.

FSB payments and methods of adjusting reports of anticipated income to subsequent experience could also be tested in practice on a restricted demonstration basis. Necessary research on an FSB program would of course be expedited if there is clear evidence of interest in abolishing the means test.

If a Family Security Program can be administered on a state basis, why go to a centralized federal program? The answer to this, in part, is that not all states meet the conditions necessary for a demonstration and that in a population as mobile as ours, national administration would appear to be an administrative prerequisite. A more fundamental reason is simply that the experience of the past three decades clearly points to the greater probability of meeting the most essential elements of a Family Security Program—the *right to an adequate and equitable income*—through a federally administered program than through a federal-state grant-in-aid scheme. Some of the disadvantages of the public assistance approach have been documented as follows:

In theory, public assistance should take care of all current need, coming into play when all other sources of income fall short of socially acceptable minimum levels and underpinning all other income-maintenance programs. How far short of this standard the existing public assistance programs fall can be measured in several ways.

One recent study used as a standard of need twice the amount of a low-cost food budget as calculated, with regional variations, by the Department of Agriculture.<sup>23</sup> A standard under which 50 percent of total income must go for food is minimal indeed. Yet in 1958, to meet this standard, assistance payments for families receiving aid to families with dependent children would have needed to be increased for the country as a whole by 72 percent. . . . In the West a 27-percent increase would have brought actual

expenditures to the level where they would meet the standard, and in the South a 149-percent increase would have been required.

. . . It was estimated that to provide an income of twice the cost of a low-cost food budget to all persons on the public assistance rolls in 1958 would have required expenditure of \$1 billion more than the \$3 billion actually spent for public assistance by all levels of government in that year. . . .

The Michigan study referred to earlier found that less than one-fourth of the families living in poverty in 1959 were receiving public assistance.<sup>24</sup>

Public assistance is a Federal-State program, with levels of assistance and conditions of eligibility determined by the individual States. For this reason the raising of standards for public assistance is a far more complex and difficult problem than it is for a national insurance program. It must be noted, also, that Federal financial aid is available only for selected categories; general assistance is financed entirely by State and local funds and in many places entirely by local funds. It is important to keep in mind these structural barriers to the transfer of resources released by disarmament.<sup>25</sup>

The possibility of obtaining equitable and adequate support for families in all the states through the federal-state public assistance program may well be more remote—and in that sense more Utopian—than through a conversion to the proposed federal Family Security Program.

### **SOCIAL WORK'S CONTRIBUTION**

Assuming that the reader has quickly adjusted to the idea of standing the income tax on its head and that he has perceptively grasped the economic and administrative feasibility of a federal Family Security Pro-

<sup>23</sup> Ellen J. Perkins, "Unmet Need in Public Assistance," *Social Security Bulletin*, Vol. 23, No. 4 (April 1960), pp. 3-11.

<sup>24</sup> James M. Morgan *et al.*, *Income and Welfare in the United States* (New York: McGraw-Hill Book Co., 1962).

<sup>25</sup> Ida C. Merriam, "Social Welfare Opportunities and Necessities Attendant on Disarmament," *Social Security Bulletin*, Vol. 26, No. 10 (October 1963), pp. 10-14.

gram, as well as the compelling logic and inherent social justice of this modest proposal, he should now have no difficulty in recognizing the appeal it will have not only to prospective beneficiaries, but to fair-minded, democratic voters in general. He will also recognize that insuring the civil right to a livelihood is inextricably bound up with protecting the civil rights of ethnic minorities, and the drive for each must be mutually supportive.

Social workers have here the ingredients for effective social action—a cause to which they can dedicate themselves without reserve—a friendly administrative atmosphere, opportune timing in relation to the beginning reduction in expenditures for armament, and the “seed corn” resources to get things started. The National Association of Social Workers is now a larger, more complex organization than many of us are used to being in or using. By the same token, it has the potential resources in finances and structure to serve as at least the “secondary mover” in the process of

obtaining favorable public consideration of this proposal.

The prime movers in social action to abolish the means test and establish the right to a livelihood as a constitutional guarantee must be the individual members of the association, who can instruct their chapter and national officers, representatives, and delegates in the association to declare that as a result of the war on poverty the social work profession is in a state of emergency. Social work's contribution to the waging of this war can be fixing the highest program priority and the greatest possible focus of association financial and personnel resources on winning the battle to abolish the means test and to guarantee a fair livelihood to all the people of the nation.

We are aware that substantial gains in human welfare that require expenditures of public funds are hard to come by, but, if social workers do not fight for them, who will? And, if someone else does and we do not, then what are we?



BY ALVIN L. SCHORR

## *Alternatives in Income Maintenance*

*The author presents six distinctive approaches to income maintenance, identifying their basic assumptions and controlling issues, and rejects or locates each approach within the system that will take shape over time. His primary concern is with suggestion of a pluralistic approach in order to assure income for all Americans.*

SOCIAL WORKERS HAVE a tendency to proceed on issues of domestic policy in terms of sweeping simplicities. Certainly, the public has been presented in grossly simplified terms with such matters as the services issue in public assistance and the notion of an all-inclusive, noncategorical public assistance system. Although we may have thought these issues through more deeply than our presentation reflects, we have paid a penalty for each oversimplification, a penalty it would be useful to avoid in thinking through income maintenance for the 1970's.

It is to be hoped that the profession will not treat the search for a workable system as if it were shopping for a new automobile—trying to pick the single income maintenance program with the shiniest look and the best ride to replace the vehicles that now serve us. For the likelihood is that nothing will be traded in when we adopt our newest program. We shall have a somewhat more diverse array of programs, providing much better support for people's incomes—if we choose well—and much more nuisance to the orderly minded among scholars and administrators. This is both

a prediction of what is likely to happen and the writer's personal view of what would be best.

The half dozen distinctive approaches to income maintenance are readily defined and their advantages and disadvantages not hard to state. Unfortunately, this kind of presentation pits one program against another, as if to force a choice among them. Moreover, even a carefully defined program is shaped in each person's mind by what he thinks a number of other programs will be doing. With assumptions about surrounding programs not fixed, contending arguments fail to meet.

In order to avoid this, the writer has chosen to name each type of approach to income maintenance, identify the assumptions and issues that seem controlling, and either reject that type of program or locate it within the system that will take shape in perhaps the next ten years. Six distinct types of programs will be defined and discussed: public assistance, in-kind, social security, negative income tax, guaranteed income or universal demogrant, and the partial demogrant.<sup>1</sup>

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<sup>1</sup> In addition to citations elsewhere in this article, the following articles will provide a broad background on the basic issues in income maintenance: Edith Abbott, "Public Assistance—Whither Bound?" *Proceedings of the National Conference of Social Work, 1937* (Chicago: University of Chicago Press,

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2 Park Avenue, New York, N. Y. 10016

## WORK IS NOT REPLACED

We begin with a set of assumptions that is, in a narrow sense, not income maintenance at all. One assumes that work will constitute the major source of income for American families in the foreseeable future. It has, of course, been argued fluently that computers and automatic equipment are rapidly making man's work obsolete. The evidence does not seem compelling; most recently the National Commission on Technology, Automation, and Economic Progress came to the following conclusion:

There has been some increase in the pace of technological change . . . but there has not been and there is no evidence that

there will be in the decade ahead an acceleration in technological change more rapid than the growth of demand can offset, given adequate public policies.<sup>2</sup>

Side by side with the economic factor is a psychological one. Americans are greatly devoted to work or at least to a belief in its virtue for one's character and for feelings of personal worth. Because such values have force, it is likely that while work diminishes modestly we shall methodically be inventing an outlook that denies the change and that clothes leisure with the semblance of work. One may take a year off to travel but it will be called a reward for outstanding work or a training period for work that is to come. One may dally in the most pleasant cities of the world but it will certainly be to confer with one's peers or otherwise to improve oneself. One may start work older and retire younger, but patently because the demands of modern work require more education and justify earlier retirement.

For these reasons—both economic and psychological—the writer does not visualize a set of income maintenance programs that widely replace work. We recognize the significance of ready availability of work for those for whom it is appropriate, given the attitudes of the time. Any man struggles with resentment and self-doubt against his neighbors' or his own feeling that he should be working. We cannot provide him with a less-than-adequate income, but a job would be better.<sup>3</sup>

<sup>2</sup> *Technology and the American Economy*, report of the National Commission on Technology, Automation, and Economic Progress, Vol. 1 (Washington, D.C.: Government Printing Office, February 1966), p. 109. See also Alvin L. Schorr, "The New Radicals: The Triple Revolution," *Book Reviews, Social Work*, Vol. 10, No. 1 (January 1965), pp. 112-114.

<sup>3</sup> Here one could discuss the significance of the minimum wage and of publicly provided employment opportunities. They are of course important but for the purposes of this discussion are not regarded as income maintenance.

1937), pp. 3-25; Lord William Beveridge, *Social Insurance and Allied Services* (New York: Macmillan Co., 1942); Eveline M. Burns, *Social Security and Public Policy* (New York: McGraw-Hill Book Co., 1956); Burns, "Social Security in Evolution: Toward What?" *Social Service Review*, Vol. 39, No. 2 (June 1965), pp. 129-140; Committee on Economic Security, *Report to the President of the Committee on Economic Security* (Washington, D.C.: Government Printing Office, 1935); Paul H. Douglas, *Wages and the Family* (Chicago: University of Chicago Press, 1927); Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962); Christopher Green, "Transfer by Taxation: An Approach to Income Maintenance," unpublished dissertation, Brookings Institution, 1966; Robert J. Lampman, "Negative Rates Income Taxation," paper prepared for the Office of Economic Opportunity, Washington, D.C., August 1965 (mimeographed); Tony Lynes, "A Policy for Family Incomes," *The Listener*, Vol. 73, No. 1878 (March 25, 1965), pp. 436-437; Alva Myrdal, *Nation and Family* (New York: Harper & Bros., 1941); Lady Juliet Rhys-Williams, *Family Allowances and Social Security, Lady Rhys-Williams' Scheme* (London: Liberal Publications Department, 1944); Alvin L. Schorr, "The Family Cycle and Income Development," *Social Security Bulletin*, Vol. 29, No. 2 (February 1966), pp. 14-25; Schorr, "Program for the Social Orphans," *New York Times Magazine* (March 13, 1966), pp. 32-33, 101-105; James Tobin, "On Improving the Economic Status of the Negro," *Daedalus*, Vol. 94, No. 4 (Fall 1965), pp. 878-898; James C. Vadakin, *Family Allowances* (Oxford, Ohio: University of Miami Press, 1958).



## PUBLIC ASSISTANCE

The income maintenance program with which we are most familiar is public assistance. Definitions of this are tricky and slip away as one explores other income maintenance possibilities; it is here defined operationally as the income maintenance program administered by welfare departments. At the moment the program rests universally on a means test, that is, an individual determination of needs and resources applicant by applicant. The means test has proved to be a degrading experience for many applicants. It has pitted workers against clients and is terribly wasteful both of money and professional time. The NASW Delegate Assembly acted in 1964 to oppose continued use of the means test.<sup>4</sup> At the least, that implies a radical simplification of the administration of public assistance—a simple scale of family needs instead of budgeting, and affidavits instead of interviews and proofs.

Two other problems with respect to public assistance are the low levels at which assistance is paid and the fact that so many people are not helped. Virtually no recipient receives help at a level that avoids poverty; in general, AFDC children are treated with special penuriousness. Only about one poor person in four receives help at any given time. For these reasons, the profession has from time to time proposed a noncategorical program (or the addition of a miscellaneous category to the existing program, which would achieve the same result) and a mandatory federal standard of minimum payments. Such a program can be achieved only if the federal government is willing to operate public assistance programs—at least in some areas—for some states do not have the resources to contribute even a

small percentage of the cost and others would not be willing to do so. The issue of federal operation will not be considered here; instead the sort of program that would result from these three proposals will be pointed out.

There would be 30 million people or more receiving public assistance at levels not lower than the definition of the poverty line. Among these would be men and women who are or might be able to work; no investigations would be made of them, nor would they be asked why they are not working. The problem of incentive—about which we have been so troubled recently—would be compounded. No one who could work full time at the minimum wage or even a little more would gain much in income by leaving public assistance. Incentive scales can be devised that might cope with this problem, but they get caught between opposing pressures. Either the bottom of the scale pushes downward and many people receive inadequate income or it moves upward and people with comparatively decent incomes—\$5,000 or \$6,000 a year—receive assistance. Finally, the cost of the program is naturally quite large.

Because people who are now working would stop, the cost of the program would exceed the total poverty deficit in the United States—perhaps costing annually as much as \$20 billion.

Such a program would not be constructive for many of the people involved. It is not good for one to feel that no effort he makes can improve matters for himself. In any event, the nation would probably not tolerate such a program. If Congress gave it serious attention, conditions about employability and training would certainly be attached to it, and an investigative procedure would be added to assure that people were not simply malingering, that children were receiving proper care, and so on. We would shortly be back in the dismal business of the means test. Recipients would feel the keen edge of community dis-

<sup>4</sup> See "Assembly Backs Minimum Income, Asks New Membership Proposals," and Wanda Collins, "The 1964 Delegate Assembly: A Delegate's First-hand Report," *NASW News*, Vol. 10, No. 2 (February 1965), pp. 1 and 14 respectively.

pleasure at their slothfulness and many would be deterred from asking for help (that is its purpose, to be sure). We would once again be tutored in the lesson we seem never to learn—that the effects of poor laws are not an accident but deliberate. We are brutal in the giving of money we define as relief; we are sweetly charitable only when we have succeeded in defining the gift as something else—social security, urban renewal, business deduction.

In fact, the public assistance program visualized by the Committee on Economic Security in 1935 was meant to be residual—a safety net for a few who fell through all the other protections. The concept is as right in the 1960's as it was in the 1930's. Public assistance does not make a good mass program.

### IN-KIND PROGRAMS

A second type of program that is currently enjoying a renewal of popularity is the provision of services or goods "in kind"—recent examples are Medicare, food stamps, and rent subsidies. Restricted programs have on occasion stirred powerful emotions in social workers, but these recent ones seem to have escaped our wrath. In-kind programs may represent a public conviction that beneficiaries are not to be trusted to manage their own funds, a view that certainly went into the development of the food stamp program, and it is to this paternalistic implication that many social workers react.

Despite their resurgence, in-kind programs are not currently being proposed as the dominant source of income for anyone; therefore, not much space will be devoted to the issues involved. They are probably a sound type of program so long as they remain a subsidiary type. They are acceptable so long as they are not *felt* as controlling. In-kind programs may be especially suitable when the public interest is most deeply engaged (as in the nutrition of children) or when the state is in a better position to organize services than the family

would be to buy them (as in medical care or rent subsidies). We might therefore seek a very broad extension of three specific programs—school lunch for children, medical care for those who are not aged, and rent subsidies to broaden the supply of low-cost housing.

### SOCIAL SECURITY

The social security system offers a third line of development in income maintenance. In principle, social security provides benefits for stipulated risks in exchange for a regular payment during one's work life. The program is both categorical—that is, limited to the aged, the disabled, the orphaned—and directly tied to work. It has, therefore, succeeded brilliantly exactly where public assistance has failed, in providing a payment to which everyone agrees the beneficiary has a right.

By the federal standard of poverty, almost two out of five people who receive retirement benefits and a larger proportion of those who do not receive benefits are poor.<sup>5</sup> The issue that must be faced is the degree to which social security is an antipoverty program. In the wake of the War on Poverty, a certain amount of sentiment has developed that social security should be *primarily* an antipoverty device. The Commissioner of Social Security observes that limiting the program to antipoverty would have been stirring in 1910, "but we can do much better in the United States in 1966."<sup>6</sup> Social security may prevent poverty, to be sure, but it may also replace income well above poverty for those who have earned it. The point of view has much to recommend it. Quite apart from the effect on others, limitation of social security might do the poor a great deal of damage in the end.

<sup>5</sup> Mollie Orshansky, "More About the Poor in 1964," *Social Security Bulletin*, Vol. 29, No. 5 (May 1966), pp. 3-38.

<sup>6</sup> Robert M. Ball, "Policy Issues in Social Security," p. 5. Paper presented at the Annual Meeting of the American Society for Public Administration, Washington, D.C., April 14, 1966. (Mimeographed.)

There would undoubtedly be a drive to define such a program in poor law terms while parallel programs for the nonpoor were established beside it.

The difficult question is how to apportion benefits within the social security system. It may be that we should move by stages to a minimum benefit that avoids poverty for most people. The minimum benefit for an aged person is now \$44.00; doubling the figure would be a long step toward the desired objective. Wage-related benefits, justified by higher earnings, would also be raised but not as quickly at first. Such a strategy would provide an interesting international reversal. England and Sweden began their systems with a flat-rate payment that was essentially an antipoverty device. Recently they have moved to add a wage-related benefit on top of that. In effect, in establishing an antipoverty minimum we would be moving toward a similar two-decker system from the opposite direction.

Apart from the adequacy of the social security payment, its coverage can readily be broadened. Only something over one million aged people are now uncovered by social security or similar public systems. They may be provided status under the social security system, following the precedent of the amendment last year that "blanketed" people over 72 into social security. The net public cost would be comparatively small, as the majority of these people now receive public assistance. In not too many years a special provision to include uncovered aged people would become vestigial, as we rapidly approach the point at which 100 percent of the population is covered by social security contributions.

More radical ways of broadening social security are also conceivable. No doubt we shall see the day when people who have contributed for fifteen years may receive a benefit while they spend a year in school. The notion would serve society in a variety of ways but its time has not yet come.

Also reasonable is a program called "fatherless child insurance," which was first proposed by Lord William Beveridge.<sup>7</sup> Under such a plan divorced women would be treated like widows for social security purposes. The special attraction of this program is that it would go precisely to children in broken homes, the very group that is now conspicuously overlooked. Something about the proposal conveys a sense of hedonism—"Leave your husband and get a payment!"—and blocks further consideration. Such consideration is well warranted, but few people are willing to discuss the program seriously.

At any rate, we may expect from social security both a minimum payment that guards against poverty and complete coverage for the categories of the population it serves—the aged, disabled, widowed, and orphaned. In addition we have already noted that medical care should be extended to all age groups. Unemployment insurance should also be mentioned: benefit levels need to be raised, coverage improved, and the period over which payments may be made lengthened.

### NEGATIVE INCOME TAX

A fourth line of development in income maintenance is the negative income tax—a payment related, according to some reasonably simple formula, to the number of persons in a family and their combined income. Although no important principle is involved, it is generally assumed that such a program would be operated by the Internal Revenue Service in connection with the income tax program. A radically reformed program of public assistance might greatly resemble the negative income tax, accounting for our earlier difficulty in defining public assistance.

The negative income tax is an attractive idea. It appeals to the principle of equity in a way that few people find possible to

<sup>7</sup> *Op. cit.*

dispute. That is, a family of four with an income of \$6,000 undeniably receives a gift of at least \$340 (the value of four exemptions at a 14 percent tax rate) from the government as a credit against their tax. With a \$2,000 income such a family receives less and with no income no payment at all. Many are coming to think that poor people should receive at least some payment for the value of their exemptions. The concept is also attractive because it seems simple to administer. It is a program that would, for once, reach all needy people, without categorization. It is an efficient program, for it gives money to poor people without diverting it to others who do not need it.

Despite these advantages, the negative income tax might, if enacted, be fated to play a minor role in income maintenance. It suffers from the difficulty noted in the discussion of public assistance that payments must be scaled carefully to income in order to sustain the feeling that one can improve oneself. Unfortunately, such a scale is most easily constructed when payments are to be small. Although the negative income tax may be supported widely, some of the support comes from those who see it as one element in tax reform. Such a perspective effectively casts the payment per person in the neighborhood of \$84.00 a year (a \$600 exemption at a 14 percent rate), a contribution but obviously far short of what is needed.

More important, even a substantial negative income tax would, like public assistance, provide the money payment in a poor law framework. It would be paid not for past work, not because of childhood or old age, not for any of the dozens of reasons that have been converted into social rights, but for the one reason we have so far failed to make into a right—want. The writer's impression is that poor people would, if they were consulted, reject the negative income tax. At any rate, civil rights leaders have shown less-than-spontaneous enthusiasm for the notion. It was conspicuously

absent from the recommendations laid before the June 1966 White House Conference "To Fulfill These Rights."<sup>8</sup> Poor people would say that they want to make good as others have—they will be glad to take the fringe benefits that go with making good (including exemptions, pensions, benefits, allowances, and insurance payments), but are willing to be spared a negative income tax. They are probably right. Some may be so far-sighted and so altruistic that they offer poor people what they do not want and deny them only what the nonpoor conspicuously have—income as a matter of undisputed right.

In short, it appears that the negative income tax is in the poor law tradition and would, as a practical matter, turn out to be a small amount of money. On the other hand, even \$300 or \$400 a year is money to a poor family and every move toward equity is a move in the right national direction. The writer does not visualize the negative tax as a substantial development in income maintenance, but believes it should be supported as a part of tax law reform.

### UNIVERSAL PAYMENT

The fifth alternative open is a universal payment to everyone in the country, without regard to income or status. This is the original definition of guaranteed income; it shall here be referred to as the "universal payment" or "universal demogrant" to distinguish it from other programs now implied by the term "guaranteed income."<sup>9</sup> The universal payment is the one comparatively radical idea mentioned here. It derives from the concept of a contract between the state and the individual, assuring that the individual will receive income and

<sup>8</sup> White House Conference, "To Fulfill These Rights," *Council's Report and Recommendations to the Conference*, June 1-2, 1966 (Washington, D.C.: Government Printing Office, 1966).

<sup>9</sup> The term "universal demogrant" has been popularized in the United States by Eveline Burns, who

will give work. The state does not have a choice on the one hand or the individual on the other. As the universal payment has been discussed lately in the United States, in a not uncommon historic reversal it has become associated with the expectation that work will *not* be required.<sup>10</sup> For the next decade, at least, this is probably a fantasy. In any event, the universal payment, if it provided enough money for decent living, would bring about a sweeping redistribution of income in the United States. It is doubtful that this objective will be reached in one step.

### PARTIAL DEMOGRANT

A partial form of the universal payment is the sixth and last alternative. If we are not likely to have a universal demogrant in the very near future, it seems much more nearly practical to extend a payment to specific population groups, without income test or any qualifying test other than age. The two candidates for such a program that come readily to mind are the aged and children. We have in fact already opted for a demogrant in proposing that the aged be blanketed into social security. There will be a certain amount of academic argument over the principle involved. The writer ventures to prophesy that scholars will decide that these old people are receiving demograts but that they themselves will call it social security.

As has been noted, the critical group that is omitted in our system of income maintenance is children. A demogrant for children—that is, a children's allowance—might correct this long-standing oversight. It will be said that a children's allowance wastes money on children who are not poor that could be spent, in an income-limited

program, on children who are poor. A children's allowance designed carefully in relation to the income tax system would waste little money. In any event, that money is well wasted that purchases a sense of its rightness. It will be said that children's allowances would increase the birth rate, especially among those who really should have fewer children. Since the subject requires its own paper, the writer simply offers a dictum (but one complete with citation): *There is no evidence that children's allowances will affect the birth rate. If any effect at all is seen, it is likely to be trivial.*<sup>11</sup>

Apart from the sense of rightness that may be provided by a demogrant, because it is not related to income it quite avoids interfering with incentive to work. A third point has already been made and two estimates will underline it. A children's allowance of \$50.00 a month would take beyond the reach of poverty three out of four children now poor. Moreover, family income is generally pooled; a child exits from poverty only when his whole family avoids poverty. If poverty were only eliminated for families with children, therefore, fewer than a third of those now counted poor would remain poor. It is perfectly plain who the citizens are who require income maintenance. How is it that we turn everywhere else?

### WHAT SHOULD BE DONE?

Where have we arrived in this discussion? If we strengthen the existing income maintenance mechanisms and add a couple of new ones, we can assure a decent income to virtually everyone in the United States. In addition, many whom Mollie Orshansky calls the "near poor" would find their income improved.<sup>12</sup> The writer has rejected

credits William Anderson, a Canadian actuary, with inventing it. See Burns, "Social Security in Evolution: Toward What?"

<sup>10</sup> Robert Theobald, *Free Men and Free Markets* (New York: Clarkson N. Potter, 1963).

<sup>11</sup> Alvin L. Schorr, "Income Maintenance and the Birth Rate," *Social Security Bulletin*, Vol. 28, No. 12 (December 1965), pp. 22-30.

<sup>12</sup> *Op. cit.*

fatherless child insurance and the universal payment as the means toward these ends. Each is utopian, which is to say appealing in some rational sense although we are not ready for it.

We should seek to improve social security, increasing minimum benefits and reaching all the aged. We should seek to provide medical care and decent housing to all the population. We should seek to right unjust tax laws by providing at least a modest negative income tax. And we should seek a program of allowances for children.

In the context of this ten-year objective, what of public assistance? Do we not feel differently about a truly residual program of public assistance than we do about the mass program we have conceived? Doubt about services as an integral part of public assistance has been growing because, in all truth, we will not have the staff to make it work. Doubt has been growing because "services" carry the implicit promise that we shall substantially reduce public assistance case loads, a promise we cannot meet with a case load of old people and mothers and children. In fact, the means test is the community's way—if it is in theory not the profession's—of keeping a vast program to manageable size. Our reaction to all this has been to try to convert public assistance into an insurance-like program. Rather, we should perfect the social insurances and add demogrants to carry the *main* load. In that context, we may need a public assistance program much like the one toward which we have been struggling over the past decade or so.

It will be a smaller program, dealing with hundreds of thousands rather than millions. Because it is difficult to know just who will need help and why, individual investigations may indeed be required. Quite possibly these recipients will be troubled people requiring a variety of services, which should be close at hand. In short, we shall have the very model of public assistance that we have been getting ready to reject.

That model will not operate in the current context—it is overwhelmed by the prevalence of stark need—but a public assistance program that tries to replace social insurance and similar programs may be a disaster in its own right.

Financing of these programs will not be discussed here. Obviously, a great deal of money is involved but not so much as the Gross National Product increases in a single year. That is to say, the cost spread over ten years would amount to substantially less than one-tenth of our *gain* in national production.

### CHOICE TO BE MADE

Most of all, the writer has been concerned with suggesting how a pluralistic approach to income maintenance may assure income for all Americans. Brushing away all these programs and substituting one great new program would surely be neater. But esthetics is not the point so much as warmth and protection; it is said that a patchwork quilt may perform those tasks very well. Over time, the patchwork we have created should of course be rationalized, especially to achieve a pluralistic system that is simpler and more complete.

Two things concern the writer about the recent interest in substituting a general approach to income maintenance for the categorical approach that has historically been used. First, it will introduce poor law concepts into our brave new programs and even into areas where we have long-established rights; this has already been dwelt on. Second, we are a deeply divided nation—we are divided between those who have and those who have not, between slums and suburbs, between those who feel competent and those who feel exploited. The national structure of income maintenance is not a small matter. It can be structured to deepen the schism or it can help to bridge it. In the next two or three years we must make a choice.

# *Lifting the Poor Out of Poverty: A Background Paper*

For use at Delegate Assembly, April 1967.  
Prepared by Alan D. Wade for the  
NASW Commission on Social Policy.



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# *Lifting the Poor Out of Poverty: A Background Paper*

BY ALAN D. WADE

*This paper was prepared for the NASW Commission on Social Policy by Alan D. Wade, Ph.D., who is Associate Professor, School of Social Service Administration, University of Chicago, Chicago, Illinois. The paper provides background for a policy statement on income maintenance, which, in revised form, will be presented to the Delegate Assembly of the National Association of Social Workers in April 1967. It is hoped that it will provide a common base for discussion that can lead to agreement on a national program directed toward the elimination of poverty.*

The United States is the first nation in history with the economic capability of eliminating absolute poverty, as presently defined in economic terms, through the redistribution of a portion of the national income to the poor.<sup>1</sup> That this can be done is a matter of general agreement. Whether it will be done is more closely tied to political willingness to take the necessary steps than to the country's economic capacity to provide an adequate income for all Americans. The idea of a guaranteed annual income is not new. However, discussion concerning its feasibility and methods for implementation has moved in recent months from the academic into the public arena.

While movement toward substantial new domestic programs has been postponed by national preoccupation with the Vietnam War, it is important that continued serious attention be given to the issues posed and the potential for elimination of poverty offered by the guarantee of a minimum income for all Americans.

The National Association of Social Workers historically has had responsibility for leadership in the development and support of measures for achieving such an income floor through expansion of employment opportunities, improvement in wage-related security benefits for those who have served in the labor force, and assurance of more adequate and universally available cash payments for those unable to take advantage of rising technology and productivity. This responsibility was reaffirmed and updated by the 1964 Delegate Assembly's adoption of a revised policy statement on income maintenance.<sup>2</sup>

The purpose of this paper is to provide a common base for discussion leading to agreement by the 1967 Delegate Assembly on the charting of the association's course in national political action toward the elimination of poverty. Recommendations for such a course of action that have been approved by the NASW Board of Directors include the following combination of approaches, some to be considered as alternative choices, others as interlocking necessities: (1) expansion of work opportunities in the general economy and in the public services, (2) improvement and expansion of the social insurances, (3) development of a dignified and

efficient means for restoring income deficits for those outside the labor market, either through the negative income tax, a family or children's allowance system, or other related programs, (4) reform and reorganization of the public assistance system as the ultimate guarantor against economic poverty. These recommendations will be discussed in series, following attention to the historical context of poverty, the nature of modern poverty, and the limitations of current programs of income maintenance.

## POVERTY IN HISTORY

For centuries poverty was taken for granted as an accepted concomitant of the human condition. At certain periods in history, however, poverty has emerged as a topic for public concern and anxiety and has caused men to raise questions about the inevitability of the classic dictum: "The poor ye have always with you."

At the beginning of the industrial era, poverty became a topic of special concern in part because the possibility of eliminating it seemed within grasp. The dramatic contrast of the "two nations"—the dichotomy between fantastic expansion of wealth on the one hand and the stubborn persistence of grinding poverty on the other—led men to conceive of poverty as remediable.

The history of social welfare is closely identified with a series of campaigns in the long war against poverty. In the past, efforts to deal with poverty were frequently motivated not by any special concern on the part of the dominant classes to help the poor, but rather by the effort to ward off the dynamics of economic change and social disruption in the early phases of the industrialization of society.

Efforts to deal with poverty during the nineteenth century were, as in more recent times, intimately linked with prevailing ideas about the human condition. It was believed that poverty was the result not of economic forces that could be controlled, but rather of personal inadequacies and the refusal of men to follow the guidance of an Almighty whose unseen hand would move them toward the

<sup>1</sup>For a discussion of the history of efforts to define poverty in economic terms, see Sidney Zimbalist, "Drawing the Poverty Line," *Social Work*, Vol. 9, No. 3 (July 1964), pp. 19-26. The process by which the Social Security Administration's present poverty line was determined is described in Mollie Orshansky's article, "Counting the Poor: Another Look at the Poverty Profile," *Social Security Bulletin*, Vol. 28, No. 1 (January 1965), pp. 3-29.

<sup>2</sup>This appears in *Goals of Public Social Policy* (rev. ed.; New York: National Association of Social Workers, 1966), pp. 53-54.



Great Society if only they would attend to the sturdy virtues of work and thrift and avoid excessive indulgence in the pleasures of the flesh. The nature of poverty was seen as personal, with no relation to social and economic forces. The conclusion was apparent: to help the poor by the provision of governmental relief save under the harshest strictures was the worst, the least moral, thing that could be done. Not only would government relief be personally demoralizing, but its provision would remove the threat of the "economic whip," which, it was believed, was the ultimate social device to insure that the mass of men would work.

These perceptions of poverty and work have continued to influence public social policy in the field of income maintenance long after the period during which they held utilitarian value. Their influence, however, has been most pronounced in this country with respect to public assistance policy. The Poor Law philosophy has not affected the social insurance programs, however, because benefits are usually related to the duration and extent of a person's participation in the labor force. Thus, social insurance programs, as instituted on the European continent during the late nineteenth century and in England and the United States during the first half of the twentieth century, have achieved the support of the citizenry.

Programs of public assistance for persons generally outside the labor market have, especially in the United States, continued to be operated under precepts that have undergone little change since the days of the first Poor Law. It is the impact of the collision between the Poor Law heritage of our public assistance programs and the movement for the elimination of poverty in the United States that has led NASW to take leadership in the effort to provide a guaranteed annual income for all Americans.

#### ARGUMENTS AGAINST A GUARANTEED INCOME

The current national debate over the prospect of such an income guarantee for all Americans must concern itself

with the effects of the proposal on several aspects of American life, including public morality, the economy, and social and political structure. Two arguments against the proposal are, however, likely to dominate discussion: (1) money is not enough to deal with the massive social problems endemic to poverty and (2) people will not work if income is assured.

The first of these arguments is, as might be expected, frequently used by those who, never having known hunger and want, prefer to ignore the presence of these in current American life, and to call for the further development of more highly personalized measures—casework, counseling, and other social services, educational and other rehabilitative approaches—as first-priority investments in a national strategy against poverty. Still others use this argument on different grounds. They recognize the reality that government programs to increase the purchasing power of those now defined as poor will not provide employment for the employable or significantly increase the power of the poor to purchase such resources as better education, medical care, and housing.

It is, of course, true that man does not live by bread alone. It is also true that without bread his essential humanity is diminished. Arguments as to whether money is or is not "enough" tend to be tedious as well as pointless. Perhaps it is sufficient for the purpose of getting on with the task of modernizing income maintenance programs simply to recognize that, while the provision of adequate income is by no means a panacea or a sufficient condition for the elimination of major social problems, it is at the same time an absolutely necessary condition and one that must be fulfilled before ameliorative and curative efforts can succeed.

The second major argument against the guaranteed income is that poor people will not work if their income is assured by the government. This is the modern variant of nineteenth-century England's principle of less eligibility, which asserted that those receiving aid must be paid at a level

below that of the lowest-paid laborer in the community, in order to assure the efficient application of the economic whip. There is little firm evidence to support arguments on either side, i.e., that the guarantee of an adequate income will or will not cause low wage-earners to leave the labor market. Antagonists must rely largely on personal notions about the human condition, folklore, and estimates of the degree to which the nature of work and the labor force are changing as the result of automation. Those who claim that a radical change in the method of income redistribution will result in a serious problem of work disincentive base their claim on the premise that the normal state of the human being is one of repose and indolence, and that the poor are more likely than others to behave as rational economic creatures when confronted with the choice between hard, often disagreeable, work and the opportunity for a minimal but adequate income without work.

Those who discount this effect of the guaranteed income offer as testimony their belief that men work and create because they must, not merely to avoid starvation, but because the nature of the human condition is such that assertion, creative activity, and active engagement with the environment are the very stuff of which life itself is made. Hannah Arendt makes the useful distinction between labor, or toil, and work.<sup>3</sup> If labor is regarded as the activities necessary for maintaining a bare level of survival, and work connotes productivity and creativity with personal gratification as well as economic recompense as its end products, progress may be made toward dealing systematically with the "some people won't work" argument against an income floor. Such an intellectual distinction between human activities must, of course, be translated into positive governmental and private programs for the maintenance of full employment for all employables, with planned expansion of op-

<sup>3</sup> Arendt's discussions of the differences between labor and work are to be found in *The Human Condition* (Chicago: University of Chicago Press, 1958). See especially chaps. 3 and 4.

portunities in the creative arts and the human services.

At the same time that the historic argument concerning what motivates men to work is being revived in connection with the current discussion about the redistribution of a larger proportion of the national income to the poor, vast sums of the national wealth are being transferred to other segments of society. Oil companies, railroads and airlines, ship-builders, and farmers and ranchers are only a few of the groups who benefit from federal funds received without the prerequisite of behavior patterns that have traditionally been defined as "work." As in the past, it is the poor who must undergo the "workhouse test" or its equivalent in proving the validity of their claim on the community's wealth.

In the absence of data based on controlled study over a period of time of the effect of an adequate income on the life-styles of persons previously below the poverty line, a verdict of "not proved" must at this time be rendered on the disincentive effect of the guaranteed income. NASW must develop support for a sound approach to full employment and income redistribution—one aimed at cutting the Gordian knot of poverty rather than the more tedious process of untying it—on grounds of available data about the poor who would be affected and an understanding of the limitations of current measures for employment and income redistribution. It is self-evident that, in addition to these data, such factors as humanity, equity, simple social justice, and the national interest should not be overlooked.

#### WHO ARE THE POOR?

A variety of questions about the nature of the population affected must be answered in the planning of an income maintenance program that meets the association's goals. Among these are the following: What are the handicapping characteristics of the poor? What is their relationship to the labor market? What portion of the national income have they commanded over time? What is their geographic distribution? Where should

the poverty line be set? There will be no effort made here to provide detailed answers to these questions. The data bearing on them are available from a variety of sources.<sup>4</sup>

Briefly, the incidence of poverty in America falls most heavily on families headed by persons with one or more of the following characteristics: female sex, limited educational attainment, old age, disability, and nonwhite color. Of all persons living below the poverty line half—or more than 15 million—are children under 18.

In terms of their relationship to the labor market, two-thirds of the male heads of families below the poverty line were in the labor force in March 1964. Of this group, one in ten, although in the labor force, was out of work. In contrast, two-thirds of the female heads of poor families were not in the labor force during that month. Data on work experience of family heads during 1963 indicate that only one in three of the male heads of poor families was a full-time worker all during the year, while only one in ten of the female heads worked full time all year.<sup>5</sup>

In 1935 families ranked in the lowest quintile of the nation by family income received a total of 4.1 percent of the total income available to all families, while by 1962 this amount had increased to only 4.6 percent.<sup>6</sup> Clearly, the relative purchasing power of the poor in relation to the rest of the population has not increased significantly.

With reference to geographic distribution, most of the poor are urban-dwellers who live in metropolitan communities of more than 250,000. A significant minority live in rural nonfarm settings, but only a few are farm residents. Although almost half the poor live in the South, relatively few actually live in the widely heralded "pockets of poverty."

Those numbered among the poor

<sup>4</sup>For sources providing data concerning the poor, see the section on "Who Are the Poor?" of the Bibliography appended to this paper.

<sup>5</sup>See Orshansky, *op. cit.*, pp. 17-26, for a further analysis of data regarding work and poverty.

<sup>6</sup>*Statistical Abstract of the United States, 1965* (Washington, D.C.: U.S. Government Printing Office, 1965), Table 465, p. 340.

include representatives from every demographic group. Minorities in the population make up sizable minorities in the poverty group. While only about 25 percent of the poor are nonwhite persons, about half of all nonwhites live in families with incomes below the poverty line.

Efforts to define poverty with the degree of precision demanded for the planning of adequate treatment measures flounder in a mass of confusing and contradictory notions about symptoms and causes, unless an economic definition is sought based on the discrepancy between needs and resources or between required and actual consumption. Such a definition must be arbitrary and must grow out of a guiding assumption that the standard should be set high enough not to offend the public conscience and low enough to make a reasonable differentiation between the elusive concepts of "the poor" and all others.

The setting of such a definition, or poverty line, must of necessity be based on decisions more political (in the broadest sense) than scientific. Since families differ, for example, in the amount of nutrients required to maintain energy and sustain growth, a standard must be developed that is useful for statistical purposes in estimating the numbers and kinds of persons affected. Such a standard may be "adequate" for some and "inadequate" for others.

The poverty line in most frequent use today is that of the Social Security Administration, the pivotal standard of which is an annual income of \$3,130 for a family of four and \$1,540 for individual consumer units. It is based on the Department of Agriculture's "economy" food budget, the least adequate of four food-cost plans reflecting a variety of living standards. Defined as advisable for "temporary and emergency purposes only," the economy budget allows approximately twenty-two cents per person per meal for a family of four. On the assumption that the poor spend approximately one-third of their income on food, the annual requirement of \$3,130 is derived by multiplying food costs by three.

It is one thing to develop a hypothetical standard of living that provides the opportunity to differentiate the poor from the nonpoor for statistical purposes, and quite another to arrive at some sort of national agreement as to what ought to constitute an amount "sufficient to maintain all persons throughout the nation at a uniformly adequate level of living."<sup>7</sup> An infinite number of formulas for determining an adequate level based on a variety of measures of human need and consumption patterns will be advanced as debate concerning the guaranteed annual income progresses. Social workers should be prepared for the fact that the final decision will be made primarily in the political rather than in the scientific arena and be prepared to participate in that decision. To insure that all judgments relevant to the decision are given consideration, one possible course of action would be to establish a special presidential commission comprised of persons of the highest status from a variety of disciplines, to set the desirable income level. Whatever level of living is deemed adequate should be related to the cost of living.

#### LIMITATIONS OF CURRENT PROGRAMS

The present system of government transfer payments for the relief or prevention of poverty consists of the social insurances and public assistance. The social insurances are not primarily designed to lift the poor out of poverty, but rather to prevent individuals and families suffering loss of wages or death of a breadwinner from falling into poverty. Public assistance, thought of initially as a residual program that would gradually disappear as social insurance coverage of the population at risk increased, has instead increased in size and cost and has not proved adequate to lift the poor out of poverty.

The program popularly known as "social security" (more properly, Old Age, Survivors', Disability, and Health Insurance, or OASDHI) is the most universally accepted income maintenance program. In 1964-65, it

paid out wage-related benefits of more than \$28 billion to approximately 20 million people. Although payments went to both the poor and the nonpoor, only about half the benefits were paid to persons below the poverty line. Benefit levels, however, unless aided by other sources of income, are inadequate to lift individuals or families eligible for them up to the poverty line.

The federal-state system of unemployment insurance benefits is handicapped by great variations among the states in benefit amounts and duration. Benefits average approximately 35 percent of former income and are designed to deal with short-term and temporary unemployment.

Federally aided state-administered programs of public assistance have, of all current programs, been subjected to the most searching criticisms. The limitations of these programs are clearly summarized in the following quotation from the Report of the Advisory Council on Public Welfare, released June 29, 1966:

On all counts and from all sources the weight of the evidence is incontestable: a major updating of our public welfare system is essential if it is to fulfill its assigned task of assuring a basic floor of economic and social security for all Americans. The remedies must match these indictments:

- Public assistance payments are so low and so uneven that the Government is, by its own standards and definitions, a major source of the poverty on which it has declared unconditional war.
- Large numbers of those in desperate need, including many children, are excluded even from this level of aid by arbitrary eligibility requirements unrelated to need such as those based on age, family situation, degree of disability, alleged employability, low earnings, unrealistic requirements for family contribution, durational residence requirements, and absence of provisions for emergency assistance.
- The methods for determining and re-determining eligibility for assistance and the amount to which the applicant is entitled are, in most

States, confusing, onerous, and demeaning for the applicant; complex and time consuming for the worker; and incompatible with the concept of assistance as a legal right.

■ The lack of adequate social services for families, children, young people, and individuals isolated by age or disability is itself a major factor in the perpetuation of such social evils as crime and juvenile delinquency, mental illness, illegitimacy, multigenerational dependency, slum environments, and the widely deplored climate of unrest, alienation, and discouragement among many groups in the population.<sup>8</sup>

Grant levels for the approximately 7.5 million persons served by public assistance amount to a nationwide average of slightly more than half the poverty line for a family of four under the largest and least popular of the programs, Aid to Families with Dependent Children. Few states pay grants that, even under the most favorable conditions, lift families or individuals up to the poverty line. And yet gross inequities exist in grant levels among the states, with the more generous paying grants that amount to as much as five times those paid by the states at the bottom of the scale.

The challenge facing the nation—and toward which the social work profession has an obligation for leadership—is to find methods for making suitable employment available to those able to work and for providing income as a matter of right to all those unable to work or find employment.

#### EXPANDING EMPLOYMENT OPPORTUNITIES

Proper concern for the provision of money to those whose income is insufficient or has been interrupted must not obscure the fact that now and for the foreseeable future the income of most Americans will continue to be related to employment. Recent government policy, from the Full Employment Act of 1946 through the

<sup>8</sup>*Having the Power, We Have the Duty*, Report of the Advisory Council on Public Welfare (Washington, D.C.: U.S. Government Printing Office, 1966), p. xii.

<sup>7</sup>*Goals of Public Social Policy*, p. 54.

Manpower Development and Training Act and the work opportunities titles of the Economic Opportunity Act of the present decade recognize this fact. Further, the NASW statement on income maintenance calls for the recognition of new forms of creative activity that will allow for self-fulfillment and social responsibility. This is within the tradition both of social work and of American society, for it suggests that work itself is of such fundamental importance as a balancing factor in human life as to require parallel attention along with consideration of the question of income redistribution for those who cannot work.

Freud stated his view of the meaning of work in the following terms:

... in his work he [the individual] is at least securely attached to a part of reality, the human community. Work is no less valuable for the opportunity which it, and the human relations connected with it, provide for a very considerable discharge of fundamental libidinal impulses, narcissistic, aggressive and even erotic, than because it is indispensable for subsistence and justifies existence in society. The daily work of earning a livelihood affords especial sublimation when it enables use to be made of existing inclinations, of instinctual impulses, hitherto repressed, or more intense than usual for constitutional reasons.<sup>9</sup>

The suggestion for today in Freud's statement is that in order to be truly creative, man's work must be freely chosen in such a way that it can support his individuality and his own peculiar talents. Until now, such freedom of choice in the kinds of socially valuable functions they will perform has not been possible for many men. The great promise of the economy of abundance and of our revolution in production and technology is that for the first time it is economically possible for us to devise ways for men to be truly free in the pursuit of satisfying work goals.

The great challenge, and one that

makes special demands on the social work profession, is not only that of engaging responsibly and effectively in the technical and political task of bringing about a more rational distribution of income. Social work's most important contribution may well be in relation to the task of helping to redefine the concept of work by specifying the work that needs to be done in serving the modern community.

The February 1966 report on *Technology and the American Economy* recognizes that technological change and productivity are the primary sources of the nation's unprecedented wealth, but urges application of new technology to unmet human and community needs as a major means for expanding employment opportunities. The report recommends improvements in health care, transportation, control of air and water pollution, and housing as viable fields for the expansion of employment and the general improvement of the economy. It also specifies areas of the economy in which key social needs are presently met inadequately, if at all, and offers estimates of the amount of useful employment that might be provided to persons with relatively low skills through expansion of jobs in the state and local sectors of the public economy.<sup>10</sup> The estimates are included in Table 1.

The 5.3 million potential jobs estimated in the public service fields described in the table would exceed the 4.6 million net additional jobs that the A. Philip Randolph Institute suggests are required by 1967 in order to restore so-called full employment by early 1968.<sup>11</sup>

The social work profession must play a leadership role in defining the kinds of human services that are worth paying for—services that before the arrival of the abundant society were treated as luxuries rather

TABLE 1. POTENTIAL SOURCES OF NEW JOBS THROUGH PUBLIC SERVICE EMPLOYMENT

| Source of Employment                     | Job Potential (millions) |
|------------------------------------------|--------------------------|
| Medical institutions and health services | 1.2                      |
| Educational institutions                 | 1.1                      |
| National beautification                  | 1.3                      |
| Welfare and home care                    | 0.7                      |
| Public protection                        | 0.35                     |
| Urban renewal and sanitation             | 0.65                     |
| Total                                    | 5.3                      |

than as necessities. Social workers must systematically plan for the development of the kinds of jobs that human beings can perform in the service of other human beings. At least the 700,000 potential jobs estimated in welfare and home care could be developed in the service of the millions of the aged who are wasting away, their essential humanity denied them, in nursing homes, mental hospitals, and rooming houses; for the benefit of the vast numbers of children who require day care, educational aids, and other basic services to insure sound growth and development; and in support of families that require homemaker and other forms of social and emotional support in times of crisis. Dim though the prospects may seem for meeting massive community need, if reliance must be placed primarily on persons with full professional training for the major portion of the direct services, the need for the expansion of employment opportunities in the social welfare and health fields offers new opportunities for immensely multiplying social work's effectiveness by developing new modes for articulating professional knowledge and skill with the activities of the proposed new corps of public service employees.

Attention is now turned to measures for compensating for income interruption and income deficiency, keeping in mind that these must always be seen as supplemental to, rather than as alternatives for, large-scale efforts leading to full employ-

<sup>10</sup>*Technology and the American Economy*, Report of the National Commission on Technology, Automation, and Economic Progress, Vol. 1 (Washington, D.C.: U.S. Government Printing Office, February 1966), Table 6, p. 36.

<sup>11</sup>*"A 'Freedom Budget' for All Americans* (New York: A. Philip Randolph Institute, October 1966), p. 28.

<sup>9</sup>Sigmund Freud, *Civilization and Its Discontents*, Joan Riviere, trans. (London, Eng.: Hogarth Press, 1930), p. 34.

ment for all Americans who can reasonably be regarded as members of the labor force.

### **SOCIAL INSURANCE**

Expansion of benefit levels and coverage of OASDHI has two major points in its favor as a means of treating poverty: its great political popularity and the avoidance of a means test in tying eligibility for benefits to credits earned in covered employment. Because benefits are related to participation in the labor force, the traditional fear of the work disincentive effect that inhibits liberalization of public assistance does not apply. Expansion of benefit levels must be financed by increased taxes on the wages of insured workers and/or by diverting general tax revenues into the OASDHI trust funds. The tax on employees and employers is currently 4.2 percent on the first \$6,600 of wages, slated to rise to 5.4 percent by 1973. The tax is a regressive one, falling most heavily on low-income workers. At what point wide taxpayer resistance to further increases will be encountered is as yet undetermined.

Without supplementation from general revenue sources, this most popular of the social insurance programs will continue to replace interrupted income (as opposed to deficient income) by keeping retired workers or their dependents from falling into poverty, but will do little to lift the marginally employed or nonemployed (i.e., unemployed and not seeking employment) person and his survivors or dependents out of poverty. While the principle of relating benefits to wages is not sacrosanct (departures already exist in the health insurance features under Title XIX of the Social Security Act and in the 1966 provision for payment of cash benefits to all persons aged 72 or over without any contribution to the fund) further departures in the direction of payment of benefits to those not covered by the system could seriously alter the character and philosophy of the program, and perhaps ultimately its political acceptability based on its capacity to shore up the retirement

income of the vast majority of American workers.

In short, while OASDHI must be considered an integral part of the American system of income transfers, it is not, strictly speaking, a completely efficient antipoverty program. Efforts to make it so could limit its capacity to maintain a reasonable level of living for the great majority of Americans when they cease work or lose a breadwinner. If unemployment insurance is to become a more significant factor in the relief of poverty, benefit levels must be raised, eligibility periods lengthened, federal standards strengthened, and the technical devices that up to now have operated to keep grants low must be replaced.

### **NEGATIVE INCOME TAX AND ALLOWANCES**

NASW's recommendations for implementing the 1964 Delegate Assembly policy statement call for an expanded and improved system for raising to an adequate income level those persons not in the labor force or those whose work experience is so insubstantial as to prevent them from qualifying for adequate social insurance benefits. Two possibilities are suggested, with the choice dependent on one's own views as to the method that most nearly approaches the goals of dignity and efficiency, as well as on political realities as national debate develops. These are the negative income tax and a system of family or children's allowances, the latter sometimes referred to as a "demogrant."<sup>12</sup>

Perhaps the most widely discussed of the alternative approaches to a guaranteed income are the several schemes falling under the heading "negative income tax." These proposals have several factors in common: (1) They are to be differentiated from public assistance in that they are largely self-administered and from social insurance in that income

disbursements are unrelated to labor force participation or to a trust fund derived from earmarked taxes. (2) They would use the federal individual tax system to redistribute income to all the poor, irrespective of their status or geographic location, but simply because they are poor. (3) They would lead to greater fairness in the present tax structure. The proponents of these proposals urge, further, that they would be simple and efficient to administer, and that their adoption would result in considerable savings in administration over current methods.

Certain features such as personal deductions and exemptions for dependents are built into the income tax system as aids to families. Those below the poverty line by definition pay no income taxes, but bear a proportionately heavier burden of consumption taxes (sales, excise, and so on) than those with higher income. Exemptions and minimum standard deductions in the federal income tax system offer in essence a subsidy for those in higher income brackets that is of little or no value to the poor. The failure of the tax system to respond with equity to the needs of those with lower incomes is seen in the following example: A family of four with an annual income of \$3,000 is treated the same, i.e., with indifference, by the income tax system as a family of ten with the same income. Neither earns enough to pay an income tax, but consumer taxes of various kinds exact a far heavier toll on the larger family. It is to the problem of tax inequities that some advocates of the negative income tax address their proposals.<sup>13</sup>

One proposal, for example, would simply return to families below the poverty line a percentage of their unused exemptions under the income tax system. Another would replace a flat 50 percent of the difference between a family's total income and a poverty line. Thus, a family of four

<sup>12</sup>For an extensive discussion of the various possibilities with respect to income maintenance, see Alvin L. Schorr, "Alternatives in Income Maintenance," *Social Work*, Vol. 11, No. 3 (July 1965), pp. 22-29.

<sup>13</sup>Robert J. Lampman is among those advocating the negative income tax as a measure for increasing equity in the tax structure. See his "Approaches to the Reduction of Poverty," in Louis A. Ferman, Joyce L. Kornbluh, and

with no income would receive a payment amounting to half the difference between zero and the poverty line, or \$1,565 (one-half of \$3,130, to suggest only one poverty-line figure). A family of four with an income of \$2,500 would receive one-half the difference between that figure and the poverty line, or \$315, for a net income of \$2,815. Such a plan would establish a minimum subsistence level of income for all Americans, although it will be argued that the level of payments is so low as to contribute to tax equity without effectively dealing with poverty. Another plan would replace 100 percent of the gap between individual or family income and the poverty line and would use the income tax system as a primary welfare instrument, rather than merely make it more equitable.

Theobald, Schwartz, Lampman, and Friedman are perhaps the most prominent among those advancing negative income tax proposals. Their plans are discussed in their own writings, and are summarized with clarity by Nicol.<sup>14</sup> Each, with differing philosophical bases and procedural approaches, aims at reducing at least in part the poverty-income gap, or the difference between the current income of those below the poverty line and what it would take to lift them up to that line. This gap is estimated at present to be approximately \$12 billion.

Cost estimates of the various negative tax plans vary widely, ranging from \$2 billion for the plan designed

only to restore a degree of equity to the income tax system, to as high as \$30 billion for the plan designed to replace 100 percent of the gap between current income and the current poverty line. The \$30 billion estimate is based not on firm data, but on estimates of loss to the total income of the nation resulting from pessimistic estimates of the numbers of persons who would choose the subsidy as an alternative to work, and of the additional claims on the system that would be made by the so-called "hidden poor" who currently accept subsidies from relatives rather than receiving public assistance.

In addition to the presumed efficiency of the negative tax plans, their supporters claim for them the additional virtue that economic need is the sole criterion for receipt of benefits, not social status or moral fitness as determined with no matter how much magnanimity by public officials.<sup>15</sup> Those who favor a guaranteed income but oppose the negative tax approach claim that what is cited here as a virtue is actually a defect, since the tax approach would serve greatly to expand the numbers of those officially identifiable as "poor" and to subject them to community opprobrium and ostracism that would lead to increasingly restrictive and punitive legislative action.

Those who take this position argue for an approach to income distribution that would not precisely aim at relieving poverty, but instead provide subsidies based not on need, but on defined social status. Under such proposals, flat rate allowances would be paid to all members of a particular social group, such as to mothers or fathers of all children between birth and 18, or to all persons over, for example, 65. Under such a plan, the poor would not be differentiated from others in the group receiving the

benefit, since all in the defined group would receive it, regardless of income. Benefits received would presumably be considered taxable income and would be returned to the government in the form of income taxes by the more affluent. It is claimed that under such programs public and ultimately legislative harassment of the poor would be minimized, since the numbers of poor persons receiving such benefits would not be subject to public scrutiny.

The family or children's allowance proposals might have the advantage of capitalizing on political interest in improving the lot of some particular demographic group, such as children, although experience with AFDC has not demonstrated that this group has any special claim on public sympathy. Advocates of such proposals recognize that they would not aid poor persons not belonging to the defined demographic groups, and would therefore be only a partial or evolutionary approach to the concept of the guaranteed income.

It is difficult at this stage to compare the anticipated effect on poverty of the partial demogrant proposals with the various negative income tax plans, since specific proposals based on the demogrant idea are not available to show the extent to which the poverty gap could be reduced by their application.

## PUBLIC ASSISTANCE

The case for improving the existing public assistance programs has been made in the report of the Advisory Council on Public Welfare.<sup>16</sup> The report presents a plan for reconciling the major paradox of the current system—i.e., the collision of the concept of states' rights with state fiscal incapacity—through adoption of the following major recommendations: establishment of federal standards for grant levels, elimination of the categories with the substitution of a single standard for eligibility based on need, development of simplified methods for eligibility determination, expan-

Alan Haber, ed., *Poverty in America* (Ann Arbor: University of Michigan Press, 1965), pp. 415-421; and "The Future of the Low-Income Problem," in Burton A. Weisbrod, ed., *The Economics of Poverty: An American Paradox* (Englewood Cliffs, N.J.: Prentice-Hall, 1965), pp. 57-63. See also Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962), chaps. 11 and 12.

<sup>14</sup>Helen O. Nicol, "Guaranteed Income Maintenance," *Welfare in Review*, Vol. 4, No. 4 (April 1966), pp. 1-10. See also Robert Theobald, *Free Men and Free Markets* (New York: Clarkson N. Potter, 1963); Theobald, *The Guaranteed Income* (New York: Doubleday & Co., 1966); Edward E. Schwartz, "A Way To End the Means Test," *Social Work*, Vol. 9, No. 3 (July 1964), pp. 3-12, 97; Lampman, *op. cit.*; and Friedman, *op. cit.*

<sup>15</sup>Since economic need would be the criterion for benefits, it is apparent that the negative income tax proposals will require a means test, in the sense that a statement of current resources is demanded. A simplified means test of the kind anticipated under such proposals is to be differentiated from the complex and demeaning process associated with current public assistance programs.

<sup>16</sup>*Having the Power, We Have the Duty.*

sion of the social service potential of public welfare, elimination of residence requirements, substantial revision of the present grant-in-aid formula, and strengthening of measures to support the capacity of clients to assert in practice the rights that are theirs in theory. Although none of these proposals is new, their combined appearance in an official government report offers the theoretical prospect for improvements in current programs long sought by NASW.

There is one important difference between the goal of the advisory council and current NASW policy. The report urges drastic improvements in public assistance in order that it may become the major governmental program for the replacement of income for those below the poverty line. NASW's policy statement regards improvements in public assistance as necessary interim measures during the evolution of other approaches to a national income floor, and as an ultimate guarantor against poverty for the minority who may still be unable to manage within the terms provided by expanded job opportunities, improved social insurance, and the negative tax or family allowance plans.

## CONCLUSION

It is useful to suggest what the proposal for a guaranteed income will not accomplish in terms of national goals, as well as to summarize what may be expected of it.

1. It is not intended as a panacea. It does not suggest that a national income floor will cure all social ills. Many will remain. It will scarcely aid the poor to purchase better housing, when housing is in such short supply. It will not enable them to purchase significantly better medical care. It will not eliminate the necessity for the expansion of social services.

2. The guaranteed income does not demand the fulfillment of the

more dire predictions concerning replacement of manpower through automation before it can claim support. Poverty must be dealt with today, although it is well to keep in mind that drastic displacement of men by machines will intensify the demand for a national minimum.

3. The guaranteed income does not present a real threat to the current public welfare system. Rather, it presents it with its greatest opportunity for freeing social workers from unproductive work such as enforcing the means test and enabling them to fulfill their potential for becoming the major cadre for the development of state and locally inspired programs of social service for all who need them.

4. The guaranteed income would not bankrupt the nation. Even the more extreme estimates of cost are small when compared with a gross national product that will in the next decade approach the trillion dollar mark.

5. The national minimum would not obviate the need for working toward full employment for all employables and the development of creative new work opportunities for the majority of Americans, including many of those currently outside the labor market. Instead, it would complement such efforts.

What, then, can be expected of it? A major principle in an epidemiologic approach to disease is that utmost leverage in effecting control depends on locating a link in the chain of events leading to the disease that can be eliminated and that is sufficiently close to the disabling condition to have a significant effect on its incidence. In terms of setting goals for dealing with poverty, effective action does not require that causal mechanisms be understood and attacked in their entirety. Thus, poverty in a particular family may stem from a complex web of interacting

and interdependent variables, such as nonwhite color, slum residence, disability of the breadwinner, limited education, and large family size. The principle of parsimony suggests that the precise point at which to start is with the provision of jobs and money in amounts sufficient to support human life uniformly, adequately, and with dignity. If poverty is thought of in terms of its distribution and incidence throughout the population, such a course of action becomes absolutely necessary.

The history of social welfare legislation and its income maintenance phase in particular has been marked by gradual, step-by-step evolutionary rather than revolutionary increments toward the goal of the national minimum. The chances are good that it will continue to be so characterized. Ultimately, a triple-decker system of income transfers could evolve, aimed both at making up for income deficiencies among the poor and at providing protection against income interruption for the majority of Americans. Such a system could consist, for example, of (1) an income-conditioned social insurance contributory system for the majority subject to the predictable but incurable risks of income interruption through retirement, disability, or death of the breadwinner, (2) a plan based on the negative income tax or a partial or universal demogrant for those with insufficient income and limited attachment to the labor force, and (3) an improved means test program under public assistance for those who still remain below the floor provided by other programs. NASW's task is to move with vigor, supported by its base of knowledge and values, toward the best possible means, in the words of the late Charlotte Towle, "... to make real man's claim of right on society."<sup>17</sup>

<sup>17</sup>Charlotte Towle, *Common Human Needs* (rev. ed.; New York: National Association of Social Workers, 1965), p. 45.

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