INCOME MAINTENANCE ALTERNATIVES:
Concepts, Criteria, and Program Comparisons

by

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ABSTRACT

This paper seeks to clarify choices in income maintenance, not to advocate a particular policy alternative. It makes explicit the trade-offs between competing objectives that are required of policymakers, but often obscured by polemics about the advantages or disadvantages of particular transfer mechanisms (e.g., negative income taxes, child allowances, demogrants).

The paper first presents a critique of contemporary public debate on welfare reform and antipoverty cash transfer schemes. The next section distinguishes among the goals of reforming the present system of public assistance, substantially reducing American poverty, and making both the tax system and the social distribution of income more equitable. There follows a discussion of six criteria for evaluating and comparing alternative measures to one or another of these goals. The paper concludes with an application of the evaluative scheme to the welfare reform alternatives considered by the Nixon Administration in the spring of 1969.
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**INTRODUCTION**

Major social policy decisions in America are not made by intellectuals, particularly academic intellectuals. Nonetheless, social critics, particularly academic intellectuals, extensively discuss the problems of income distribution and poverty. The gross national discussion has grown so large, in fact, it appears we have a new service industry—one that does a lot of thinking about poverty. True, it has yet to do much about poverty, but "firms" within this industry write about poverty, argue about poverty, and generate papers for conferences at an accelerating rate and with escalating volume. The industry's growth has so expanded in the last ten years that some find it necessary to identify the division of this intellectual labor. Advocates of the negative income tax (NIT), for instance, are known by some producers of competing ideas as the "nit-wits."

No doubt, America's concern with its societal problems in the 1960's partly generated this proliferation of poverty research and researchers. But the output is not likely to be effective until it is recognized that a real dilemma exists: although intellectuals do not determine social policy, they do identify and define—perhaps more than the policymaker—the problems associated with poverty and income maintenance. The net effect of research efforts has been to add yet more confusion to
the thicket without really moving closer to finding a way out. There is some agreement that the eventual answer will be an income maintenance program, but there is less agreement about which plan is best. In the summer of 1968 at a joint congressional hearing on income maintenance, no less than two dozen intellectuals appeared before the committee to offer no less than two dozen different schemes on how the income of the poor might be maintained.¹

Thus the larger question becomes: What can one usefully say about poverty, and particularly about means of relieving it? In turn, the question this paper addresses is: How can an intelligent discussion of the political and economic features of income maintenance proposals be framed?

Such a paper is called for because of the presently chaotic discussion of income maintenance alternatives. Discussion of family allowances, negative income taxes, and other cash transfer programs proceeds, as Lee Rainwater has said, "...either in the form of a catalogue of different proposals...or short-sighted polemics about the superiority of some one method."² Both professional and popular journals reflect this impasse. Alternative instruments for relieving poverty are compared in terms of how they work (行政 mechanisms), or whom they benefit (percent and type of poverty population covered). Having made judgments about the political acceptability of an instrument, advocates then proceed to produce limited descriptions of cash transfer alternatives, concentrating their attention on the mechanistic symbols
of the programs they favor. Such analyses obscure differences in goals and, more importantly, differences in the social problems to which alternative programs might be addressed.

For example, negative income tax plans of vastly different scope and benefit levels are grouped under the same rubric even though they are clearly not alternative means to solving the same problem. The Tobin plan represented in Figure 1—with a $2600 guarantee level, universal eligibility, and a $5200 cut-off point—contrasts sharply with some low-level negative income tax plans. One such plan, formulated by Robert Lampman to supplement the wages of the working poor, calls for a $750 guarantee and a $1500 cut-off point for a four-person family. The Tobin plan, because of its universal and high benefits, would cost approximately $25 billion, some three times more than the $7.5 billion cost of the Lampman plan. These two plans are alike in administrative mechanism but have little else in common, since they were designed as solutions to different problems.

There are proposals, however, which employ differing administrative mechanisms to solve similar problems. Consider the Brazer child allowance scheme described in Table 1. Although it is usually discussed as a child allowance plan, its effect is such that it could as properly be described as a negative income tax for families with children: it provides a guarantee of $1200 for a four-person family and a cut-off point of more than $10,000. Compared with the Tobin negative income tax scheme, it is apparent that both plans are substantial antipoverty
measures and, as such, have more in common than either does with the low-level negative income tax plan which Lampman proposed as a device to supplement wages.

It is the thesis of this paper that administrative mechanisms are only one of several criteria by which income maintenance proposals ought to be compared; and that discussion of alternative proposals ought to proceed from the question, what problem(s) does each proposal set out to solve?

The next section will specify criteria by which alternative income maintenance programs might be compared. The third section will apply those criteria to two of the most prominently discussed income maintenance programs for welfare reform.

VARIOUS PROBLEMS OF POVERTY AND INCOME DISTRIBUTION

Three conceptions of social issues lie behind the variety of the poverty remedies now being bandied about in technical and nontechnical forums: the crisis of the welfare poor, the difficulties of all low-income Americans, and the inequities of the present distribution of income in the United States.

The first set of problems--identified with the crisis of the "welfare poor"--involves persons currently receiving benefits and those eligible for them under federal and state assistance programs. The most controversial programs include Aid to Families with Dependent Children (AFDC)\(^4\) and general assistance. Both hostile critics and
Illustration of Proposed Income Allowance

Plan for 4-Person Family under the U-50 Schedule

Figure 1
Table 1

Net Change in Income After Tax Owing to Substitution of Children's Allowance for Exemptions, Taxing Allowances, and Applying the CARR, Selected Incomes and Number of Dependent Children

<table>
<thead>
<tr>
<th>Number of dependent children</th>
<th>$0</th>
<th>$1000</th>
<th>$3000</th>
<th>$5000</th>
<th>$7000</th>
<th>$10,000</th>
<th>$15,000</th>
<th>$20,000</th>
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<tr>
<td>One</td>
<td>$600</td>
<td>$600</td>
<td>$339</td>
<td>$209</td>
<td>$124</td>
<td>$27</td>
<td>$13</td>
<td>$-112</td>
</tr>
<tr>
<td>Two</td>
<td>1200</td>
<td>1144</td>
<td>618</td>
<td>355</td>
<td>218</td>
<td>39</td>
<td>-45</td>
<td>-211</td>
</tr>
<tr>
<td>Three</td>
<td>1800</td>
<td>1674</td>
<td>934</td>
<td>483</td>
<td>289</td>
<td>42</td>
<td>-81</td>
<td>-311</td>
</tr>
<tr>
<td>Four</td>
<td>2344</td>
<td>2008</td>
<td>1186</td>
<td>590</td>
<td>315</td>
<td>36</td>
<td>-124</td>
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<tr>
<td>Five</td>
<td>2874</td>
<td>2305</td>
<td>1377</td>
<td>684</td>
<td>313</td>
<td>21</td>
<td>-129</td>
<td>-510</td>
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<tr>
<td>Six</td>
<td>3112</td>
<td>2562</td>
<td>1572</td>
<td>832</td>
<td>304</td>
<td>-3</td>
<td>-226</td>
<td>-610</td>
</tr>
<tr>
<td>Seven</td>
<td>3280</td>
<td>2700</td>
<td>1710</td>
<td>910</td>
<td>322</td>
<td>-45</td>
<td>-305</td>
<td>-709</td>
</tr>
</tbody>
</table>

sympathetic analysts of public assistance seem to agree that there is a "crisis." What this crisis consists of differs from analyst to analyst, but the following issues emerge:

(a) inadequacy of payment levels;
(b) disparity of payments between one geographical area and another, and among various categories of public assistance recipients;
(c) administrative injustices and arbitrariness, including the alleged stigma of being on welfare, which also serves to deter eligible and deserving persons from applying;
(d) the financial costs of increasing the benefits and the number of eligibles who might seek benefits;
(e) the unfortunate effects of public assistance upon family cohesiveness and work behavior;
(f) the social divisiveness and inequity of welfare programs aiding only certain groups of the poor and excluding others, most notably the working poor.

This much is clear: the dimensions of these problems are not agreed upon; "remedies" to these various difficulties are not obviously compatible or complementary; yet, it is at least possible to begin discussion of alternative conceptions of and solutions to the problems of the welfare poor.
The second set of problems focuses on poverty in America, the number of persons with incomes below the poverty line, and the amount by which their incomes fall short of that standard (the poverty gap). The nonwelfare poor comprise the most obvious target group from this perspective. Nearly two-thirds of the poor do not qualify for public assistance, which limits benefits to widows, orphans, abandoned families, the aged, sick, and disabled. Most of those whose income falls below the poverty line are legally ineligible for assistance because of the restrictive categories now used. One substantial group of nonwelfare poor are the long-term unemployed who are bypassed because of eligibility for unemployment insurance benefits, or the lack of universal coverage within public assistance. However, most of the nonwelfare poor are from families in which at least one adult member is working.

Discussion of the nonwelfare poor has focused on how to expand or alter the existing categories in order to include those poor who are now ineligible for assistance; and, given the large number of working poor, how to build work incentives into cash transfers directed towards this group. Availability of work is central to discussion surrounding the long-term unemployed, but not the working poor, since that group already participates in the work force. Rather, the working poor raise the issue of how to balance work incentives against the provision of adequate benefits for those with marginal wages or intermittent labor force participation. Robert Lampman's low level version of the negative income tax may be considered one transfer plan to cope with this dilemma.
The third set of problems involves the unequal distribution of wealth and income in contemporary America. Here the problem of poverty is not simply that many Americans are unable to command a subsistence income, or that the public welfare system has built-in indignities and difficulties. Rather, poverty is viewed as relative deprivation, and the critical difficulties are those of an income distribution in which the relative gap between the very poor and the median wage-earner is widening, not narrowing.

Those interested in relative poverty are typically concerned with equity questions as well. Not only does the lower one-fifth in the national distribution of income control "too small" a proportion of the nation's wealth, but from this perspective the operation of the tax system also confers benefits which are socially unjustifiable. Two illustrations should make this point clearer. One equity issue is the way tax exemptions (such as child exemptions in the positive income tax) confer benefits which increase progressively with family income. Another is the privileged treatment (through exemptions and other tax devices) of particular forms of income (the capital gains tax) and of certain forms of economic risk (the oil depletion allowance). These illustrations of privileged tax treatment raise questions of equity which differ sharply from the issues of the welfare and nonwelfare poor. Accordingly, such a focus calls for a range of solutions quite different from those relevant to the problems of the welfare poor and low-income Americans.
I now want to turn to criteria by which alternative means to a given poverty problem might be usefully compared. These criteria, while in no way exhaustive, represent a minimum list of considerations typically raised by American policy makers.

**Adequacy**

One of the most prominent standards of evaluation in any given income transfer program is the adequacy of the benefit level. Discussions of adequacy imply prior stipulation of the relevant standard against which benefits are measured. In other words, for any given conception of an appropriate standard of guaranteed income, the gap between that standard and the present income of the poor constitutes the "adequacy problem." Any transfer plan's benefits constitute some more or less adequate means to fill that gap.12

At least two indicators of adequacy should be used. The first is the proportion of the poverty gap filled by a given transfer program. This indicator provides an answer to the question, "how adequate an antipoverty program is a given plan?" This criterion may be referred to as aggregate program adequacy. The adequacy of grants to particular beneficiaries—individual adequacy—can be measured by guarantee levels.

Commonly, the Social Security Administration's poverty line ($3500 income for an urban family of four) is adopted as a reference point.13 Those persons below the line are said to have less than minimally adequate income. The adequacy of a transfer program can then be
evaluated from two perspectives: the degree to which benefits lift a recipient to the poverty line, and the extent to which total benefits fill the $12 billion gap between incomes of persons below and above the poverty line. Thus, the poverty line provides a basis for judging the adequacy of benefits directed to the welfare poor or, in a universal program, to all low-income Americans. The concern for adequacy may also be a criterion for tax reform if it focuses on the level of benefits for the poor in the form of more generous exemptions and deductions.

Although adequacy is not always the prime consideration in anti-poverty efforts, it is the principal preoccupation of militant welfare rights organizations and welfare reformers, particularly social workers and welfare critics whose perspective is dominated by setting minimum floors of protection against various contingencies of living.\textsuperscript{14}

**Stigma**

The degree of stigma associated with the source, form and administration of income maintenance programs is the second criterion—one that has been emphasized in some criticisms of the current welfare system. Alvin Schorr has framed this concern in the telling phrase, "a means-tested programs is a mean program."\textsuperscript{15} Those like Schorr who are preoccupied with reducing stigma typically turn to social insurance programs as desirable alternatives.

The concern about stigma, however, is clearly relevant to groups other than the welfare poor. There is fear of stigma in programs that
might be designed for the working poor. More generally, the U.S. Treasury, in evaluating tax reform proposals, typically worries about whether the reforms would require demeaning tax investigations.

Another aspect of this criterion is the economic function that stigma serves. Stigma may be viewed as a means of rationing government programs, of controlling the consumption of benefits in programs where conferring benefits to all those eligible would sharply increase government expenditures.

Finally, one must say that knowledge about the extent of stigma and its causes is impressionistic. How obnoxious the "obnoxious means test" really is remains a question needing an answer before this criterion can be intelligently employed. But the lack of knowledge in public policy is seldom a barrier to either strong views or policy action. And so it is in income maintenance debates that allegations about the causes, effects, and ways of eliminating stigma are presented and received as though stigma were precisely understood.

**Equitable Efficiency**

Weisbrod defines equitable efficiency as the degree to which "actual redistribution of income coincides with the desired redistribution." To illustrate, Weisbrod describes:

a manpower retraining program which may be intended to benefit the hard core unemployed—those who cannot find regular employment even under 'full employment' conditions. But, as the program is actually administered, it may (1) miss many in the hard core group, while at the same time, (2) aids a number of less needy persons.
Those concerned with efficiency argue that these effects reduce the desirability of a program. Considerations of equitable efficiency bring out how successfully (or unsuccessfully) a given program delivers benefits to a program's target population, and to no one else.

Weisbrod has introduced a useful distinction between two types of efficiency calculations. One efficiency consideration, he says, is the "degree to which programs intended to benefit group A also benefit group B." This might be termed vertical efficiency. The second issue is the degree to which "programs intended to benefit group A reach all of this group." Weisbrod refers to this as horizontal efficiency.

a. Vertical Efficiency

The vertical efficiency of a program may be defined as the ratio of benefits received by intended beneficiaries to total benefits distributed. Consider two concentric circles, A and B. Circle A represents the target group, the intended beneficiaries. Circle B represents persons outside the target group. If payments, represented by the shaded areas, go only to those in A the vertical efficiency ratio of the program is 1.

Vertical efficiency can be conceived as a proxy for cost effectiveness: the greater the vertical efficiency ratio the smaller the per unit cost of benefits to the target group. Thus, between two programs that bring equal benefits to a given target group, the program having the higher vertical efficiency ratio, *aeternus paribus*, will be the least costly.
This conception of vertical efficiency implies that benefits to non-needy persons should be given a weight of zero. At least two objections can be made to this interpretation, as Weisbrod points out. First, there may be other than redistributioinal grounds for wanting to distribute benefits to the nonpoor (reasons relating to the allocation of resources, for example). Secondly, vertical efficiency may conflict with another criterion. For example, the extent to which a program limits benefits to those within the poverty class may contribute to stigma associated with such a program. This conflict is implicit in Schorr's comment about the meanness of means-tested programs.

The problem of weighting benefits to non-needy persons is more complicated than simply avoiding stigma. A critical objection to programs with less vertical efficiency is that there may be resentment against windfall gains to those outside the target group. One of the objections to various negative income tax proposals, according to a number of commentators, is that plans for transferring income to the poor must involve sizeable payments to persons who are clearly not poor in order to provide a "meaningful floor of income and to avoid a very high tax on incremental income." Taxes here refer to the reductions in benefit payments per additional dollar of family income. The magnitude of this difficulty would be revealed by the vertical efficiency ratio, though the revelation of the difficulty in no way resolves it.
b. Horizontal Efficiency

Horizontal efficiency may be defined as the "ratio of the number of beneficiaries in the target group to the total number of persons in the target group." An illustration of the sort provided in Figure 3 may clarify this point. The issue in horizontal equity is the absence of benefits for some persons within a designated group. The lower the value of this ratio, the smaller the proportion of the target group (all presumably deserving) being aided. The larger the shaded area of circle A—the target group—the greater the horizontal efficiency ratio, and the more it meets that standard of evaluation. It ought to be noted again, however, that the horizontal efficiency ratio is different from the adequacy standard. If all of the target group's members are regarded as equally deserving (and this need not always be the case), one's judgment as to the fairness of a program may well be an inverse function of the degree to which it has the effect—whether or not intentional—of discriminating among the target beneficiaries. Clearly inadequate payments could go to all persons within a target group and thus lead one to rank such a program high on efficiency and low on adequacy. The trade-off between those two standards—at any given dollar cost of a program—is again a problem of weighting yet to be solved.

Work Incentives

The work incentive effects of cash transfers is a fourth criterion of importance. Regardless of the administrative mechanism, any transfer program must answer three different questions: What shall be the level
A Vertically Efficient Program

Figure 2

A 50 Percent Horizontally Efficient Program

Figure 3

— Benefits

— No Benefits
of the income guarantee (the maximum benefit)? How shall that benefit be reduced as earnings vary from zero (the tax rate)? And what shall be the cut-off point (the earnings level at which no benefits are paid)?

The appropriate level of taxation on cash transfers depends in part on the effect of the tax rate on the work behavior of various groups in the population. That information is not known in any precise way. The result is that analysts work from rules of thumb of the following sort: any guarantee will reduce some work effort if the marginal tax on earnings is more than zero; the desire to work is so great in American society that the impact of a tax rate up to 50 percent will not greatly reduce work-force participation. This latter view implies that, in considering the choice between increasing incentives to work (by lowering the tax rate) and reducing the guarantee level, one should worry a great deal about forcing a lower income guarantee.

The absence of information about work incentives is no bar to the issue being politically important. Indeed, the existence of strong feelings about what the poor (and near poor) will or will not do under various incentive schemes is what prompted the Institute for Research on Poverty at the University of Wisconsin to undertake the Graduated Work Incentive Experiment which involves testing of several negative tax schemes on the work responses of some 800 New Jersey families. Figure 4, representing a moderately high negative income tax plan,
illustrates the choices that must be made among (1) guarantee level, (2) tax rate, and (3) cut-off points. A program guaranteeing $2500 when earnings are zero with a "tax" rate of 50 percent entails a cut-off point of $5000. If one specifies any two of the three variables, the value of the third variable is determined. The plan illustrated in Figure 4 sacrifices vertical efficiency for adequacy and substantial work incentives.

A Negative Income Tax Plan

![Figure 4](image)

The concern about work incentives is part of the larger worry about the relation of transfer schemes to economic growth, productive efficiency, and allocative efficiency. Macroeconomic effects might be taken as another criterion of evaluation. In this paper, the work incentives issue is presented as a proxy for those broader concerns, as well as a salient political issue in its own right. All government redistribution affects what Musgrave calls the allocation and stabilization
"functions" of the state. The distribution of government goods and services between regions changes both the distribution of income and the allocation of productive resources. Giving money to the poor simply raises this issue more directly (and dramatically). What effect will given transfer schemes have on work performance, the mobility of labor, the process of automation in low-wage industries, or the price of labor? All such questions are called for in evaluating transfer programs.

Program Costs

The costs of a transfer program may refer to total expenditures at all levels of government or the net increment to the federal budget, taking into account savings in other present federal, state, and local income transfer programs.

Program costs to any unit of government are very difficult to predict. Specifying the tax rate, cut-off point, and guarantee level does not tell how workers will behave. Consequently, the number of persons who will be in a specified income range cannot be unambiguously determined from present data on the poor. Nor can the amount of the poverty "gap" be precisely measured, except retrospectively. The best that can be done is to make reasonable assumptions (perhaps alternative assumptions) about the work response to various plans and estimate program costs on that basis.

The allocation of program costs involves both the governmental unit whose expenditures are affected and the taxpayers who finance the
program. Minimum federal payment levels for public assistance, for example, are advocated by some as if the purpose is to increase the total payments to public assistance beneficiaries. But, in fact, the demand for such changes comes primarily from beleaguered state and local governments anxious to shift the burden of welfare payments to the federal government. Hence, one of the cost issues is which level of the political system will finance what proportion of any given transfer scheme. Program costs can be treated as either a criterion or a constraint. That is, one can ask, what is the cost of plan X compared to plan Y? Or one can ask how plans compare on other dimensions, subject to the constraint that their program costs fall within a specified range.

**Political Support**

The relationship between political and economic costs and benefits is the "most talked about, least understood topic within the field of political economy." As with program costs, political costs can be treated as a constraint or a variable. That is, given the political acceptability of two programs, they can be compared on the basis of the other criteria. Or, they can be compared according to the political support (and opposition) they will generate. The conceptual and measurement problems involved, however, are extraordinary.

Political support means the nature and extent of approval for a given program. One may speak of mass support and use polling data as an indicator of it. Public opinion polls recently have shown that more
than a majority of those with opinions about income maintenance favored guaranteed employment plans, while less than a majority favored income guarantees.\textsuperscript{27} More important for present purposes is support by governmental elites, particularly congressional elites. There are few ways one can accurately measure such support before decisive tests (like a vote) are taken. Votes on other redistributive issues are one indicator, but not a fully reliable one. Party positions on the questions offer another clue when combined with knowledge of the pattern of party cohesion on redistributive matters.

A good example of noting political costs and benefits, but not taking them into account systematically in comparing transfer programs, can be found in the \textit{Yale Law Journal}'s comment on...

the relation between the NIT proposal and the increasingly urgent demands for a wholesale reform of public assistance. Any modification of public assistance programs that took into account all the serious criticisms of present welfare efforts—as, for example, do the recommendations of the U.S. Advisory Council on Public Welfare—would result in a system of distributing benefits strikingly similar to that outlined in the model statute. The NIT and public assistance reforms are not so much alternative ways of dealing with poverty as they are alternative ways of dealing with Congress, and the choice between them is chiefly one of political strategy. Since the NIT completely escapes the faulty concepts and spotted history of public assistance, it still ranks as the preferrable approach.\textsuperscript{28}
EVALUATING INCOME MAINTENANCE ALTERNATIVES:
THE NIXON ADMINISTRATION'S CHOICE IN WELFARE REFORM

Different welfare reform proposals proceed from different views of the present system of public assistance. Before comparing alternative welfare reforms, some preliminary remarks should be made about the demographic, administrative, and financial attributes of contemporary public assistance. Federal assistance goes to five state-federal programs: old age assistance (OAA), aid to families with dependent children (AFDC), aid to blind (AB), aid to the permanently and totally disabled (APTD), and aid to the medically indigent (Medicaid). There are residual relief programs in each state which are financed wholly by state and/or local funds. The latter programs are collectively referred to as general relief or general assistance and do not receive federal supervision or funding.²⁹

Federal participation in public assistance was originally designed to help states support persons who were unable to work because of age, blindness, or absence of a wage-earner. Since 1950, new groups and purposes have been included. Aid to the partially and totally disabled was enacted in 1950; in 1960, medical assistance for the aged was enacted as the Kerr-Mills program. In the early 1960's, an unemployed parent amendment permitted AFDC benefits to families where the father was in the home and unemployed (AFDC-UP, now operative in 21 states). Two other legislative developments in the 1960's were of importance: in 1962, rehabilitative services were provided under public assistance.
and, in 1967, new amendments were passed which sought to get AFDC recipients to work through incentives (job training, day care, financial inducements) and sanctions (denying aid to those considered able, but unwilling, to work). Categorical public assistance, in summary, was designed for the nonworking poor, and only recently has focused upon problems of rehabilitation and employment.

The number of persons receiving public assistance has grown sharply since 1945. Part of the growth is attributable to the inclusion of new categories of assistance, but the AFDC program is clearly the source of most of the growth. The distribution of recipients for one month, by year and type of program, is presented in Table 2.

**TABLE 2**

<table>
<thead>
<tr>
<th>Number* of Public Assistance Recipients</th>
<th>(in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>December of year</td>
<td>Total</td>
</tr>
<tr>
<td>1945</td>
<td>3070.5</td>
</tr>
<tr>
<td>1951</td>
<td>4963.2</td>
</tr>
<tr>
<td>1957</td>
<td>5274.0</td>
</tr>
<tr>
<td>1963</td>
<td>6642.9</td>
</tr>
<tr>
<td>1966</td>
<td>7410.7</td>
</tr>
<tr>
<td>1967</td>
<td>8111.0</td>
</tr>
</tbody>
</table>

Source: President's Commission on Income Maintenance Programs

* The Commission analysts note that the "number assisted in any one month is less than the total assisted during the year. One estimate would place the number of persons assisted in 1966 at over 10 million. Because of the lack of an unduplicated annual count and data on the financial circumstances of those assisted, the total number of poor persons helped is not known." Unpublished memorandum.
The growth in AFDC has dominated much of the discussion of public welfare, or "illfare," as *Time* magazine recently put it. The distribution of poor persons within public assistance, however, does not point up the proportion of the poor excluded. Lampman has estimated that 20 million poor persons were ineligible for public assistance in 1966, representing approximately two-thirds of the total of 29.7 million poor. Public assistance comprises programs for a minority of the poor. The crisis of welfare is thus only a part of the problem of American poverty.

Public assistance provides federal grants-in-aid to all states for cash payments to individuals and families in need. AFDC receives less federal assistance than the other programs, and the federal share under all the programs varies with the income level of the state. Of the $6 billion spent in 1966 on all public assistance programs, including administrative costs, about 60 percent, or $3.5 billion, came from the federal government. The extent of federal participation over time is presented in Table 3.

The administration of public assistance is discretionary, localistic, and uneven. Eligible persons are "needy" by virtue of destitution. The definition of destitution varies among the states. Moreover, state grants do not typically pay the difference between their definition of "need" and current income. In some states the "need" for a family of four is $280 per month and a family with no income gets that amount. In other states the "need" is $194, but the family with no
### Table 3
Federal Financial Participation in Public Assistance

<table>
<thead>
<tr>
<th>Year</th>
<th>Total (millions of dollars)</th>
<th>Percent of Total</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Federal</td>
</tr>
<tr>
<td>1945</td>
<td>987.9</td>
<td>40.7</td>
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<tr>
<td>1951</td>
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<td>1963</td>
<td>4712.6</td>
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</tr>
<tr>
<td>1966</td>
<td>6652.0</td>
<td>58.6</td>
</tr>
</tbody>
</table>

Source: President's Commission on Income Maintenance Programs.
income receives only $40. States vary in the requirements for granting assistance as well. In some states there were no residence tests; in others, a would-be recipient had to have lived in the state five of the past nine years and the year immediately preceding assistance. However, the 1969 Supreme Court decision in Shapiro v. Thompson ruled such residency tests unconstitutional for federally assisted programs.

The above characterization of public assistance entails no obvious reformist perspective. One may applaud or denounce the extent to which states with unequal resources differently define and support their categorically poor. The extraordinary growth of AFDC might, in one view, be evidence that the states are discovering the needs that exist; in another view, it is a sign of moral decay in want of immediate attention. There are those who think the problem with welfare is that we have too much of it; some are worried about too much administration and others are upset about too many recipients. Then, there are those who see the problem as too little public welfare, either in the sense that too few of the poor are eligible or, within the current system, too little is provided the recipients both in cash and incentives to improve their income position.

Critics of welfare often proceed as if everyone agreed on the nature and ranking of these problems. That is simply not true. Despite the fact that most advocates of welfare reform begin with the same opening salvo of objections to public assistance (indeed the criticisms have become clichéd through endless listing), the classification of issues does not bring with it a decision rule. This failure occurs
because a decision rule requires both a classificatory and a weighting scheme, and only the former is available. My thesis is that a weighting scheme also requires clear, explicit presentation of criteria to be weighted. I have tried to do that and now want to apply those criteria to two welfare reform proposals and make a first step toward a systematic comparative evaluation.

The two proposals were the chief options under discussion by President Nixon's Urban Council during the spring of 1969. Both plans are directed towards reducing inequities within the present welfare system. One, popularly known as the Burns plan after presidential advisor Arthur Burns, proposes decreasing state variation in benefit levels through a national minimum standard for the present categories of public welfare, to be administered by the present federal-state welfare apparatus. This plan will be referred to as Uniform State Benefits (USB). The second proposal offers income assistance to poor families with children, which would be administered by the Social Security Administration, and will be referred to as Federal Family Benefits (FFB), though it is known more widely as the Finch-Moynihan proposal.

Both proposals seek to reduce inequities presently affecting individuals and states. The inequities for individuals arise from the fact that federal matching formulas are insufficient tools to reduce the variation in state treatment of similar welfare recipients. At the lower level, poor states are encouraged, but not required to provide minimum payments that satisfy the barest conception of subsistence income. The wealthier the state (in per capita income), the
lower the proportion of federal support for more generous grants. Hence, welfare generosity is a heavy fiscal burden, one which some states (and state legislators) find intolerable. 31

The similarities between proposals USB and FFB are striking. Both would cost the federal government under two billion dollars per year. Both would entail substantial savings to financially hard-pressed states. Both provide for a national welfare minimum. The general income support program (FFB), while not universal, provides payments to families with children and, thus, is much broader in scope than current AFDC and AFDC-UP programs. It is broader in that the income status of the family is the sole criterion of eligibility; this contrasts sharply with the fatherless-family criterion in AFDC and the unemployed father standard of eligibility in AFDC-UP. Both programs establish minimum welfare standards nationwide, but distribution of the federal financial increment (less than two billion dollars) to the poor and to state treasuries differ. Both the similarities and the differences are revealed clearly by evaluating the programs by the six criteria introduced in the second part of this paper, as shown in Table 4.

Adequacy

The first indicator in Table 4 measures the individual adequacy of benefit guarantees. By this standard there is no substantial difference between FFB and USB: both guarantee $1500 to a family of four (or about $31 per month for each family member). If one takes tax rate provisions into account, FFB appears more adequate than USB; since FFB "taxes"
## Table 4

Comparison of Two Welfare Reform Proposals:
Uniform State Benefits (USB) and Federal Family Benefits (FFB)

<table>
<thead>
<tr>
<th>Criteria for Comparison</th>
<th>Indicators</th>
<th>USB</th>
<th>FFB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adequacy</td>
<td>• 4-person family guarantee</td>
<td>$1500 or 42% of $3500 poverty line</td>
<td>$1500 or 42% of $3500 poverty line</td>
</tr>
<tr>
<td></td>
<td>• Poverty gap filled</td>
<td>*1.5/12, .7/12</td>
<td>2/12, 1.3/12</td>
</tr>
<tr>
<td>Stigma</td>
<td>no improvement</td>
<td>some improvement</td>
<td></td>
</tr>
<tr>
<td>Efficiency</td>
<td>Horizontal</td>
<td>.4</td>
<td>.8</td>
</tr>
<tr>
<td></td>
<td>Vertical</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>• Ratio of transfer benefits, poor to nonpoor</td>
<td>1/5</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>• Amount of poverty gap filled to total benefits</td>
<td>7/15</td>
<td>13/20</td>
</tr>
<tr>
<td>Work Incentive</td>
<td>$30 set aside + 67% tax rate</td>
<td>$50 bonus + 50% tax rate</td>
<td></td>
</tr>
<tr>
<td>Program Cost**</td>
<td>• Federal cost</td>
<td>$1.5 billion</td>
<td>$2 billion</td>
</tr>
<tr>
<td></td>
<td>• State saving</td>
<td>$800 million</td>
<td>$710 million</td>
</tr>
<tr>
<td>Political Support</td>
<td>• Mass support for some reform</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>• Bureaucratic support</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>• Congressional support</td>
<td>uncertain</td>
<td>uncertain</td>
</tr>
<tr>
<td>Problem focus</td>
<td>disparity of payments by State and category (b)***</td>
<td>inequitable exclusion of the poor (the working poor especially) from public assistance (f)***</td>
<td></td>
</tr>
</tbody>
</table>

* The first ratio compares total federal program costs to the poverty gap; the second is a ratio of only the transfer amount to the $12 billion poverty gap.

** Excluding food and training programs.

*** See listings, pp. 6-7
earnings less heavily than USB, it would provide higher average payments to recipients earning the same wages.

The second indicator provides two measures of aggregate program adequacy: (1) the ratio of total program costs to the $12 billion poverty gap, the ratio being approximately 1.5/12 under USB and 2/12 under FFB; and (2) the ratio of benefits for the poor to the poverty gap, by which standard FFB is somewhat more adequate.

It should be clear that although FFB ranks higher on adequacy than USB, both programs are inadequate when judged by the current poverty standard. The Social Security definition of minimum income for a family of four ($3500) is not approximated in either program. The $1500 guarantee represents only 42% of the poverty line, while the higher FFB program costs ($2 billion) represent only one-sixth of the poverty income gap. These points alone serve to demonstrate how welfare reform can proceed quite apart from serious efforts to eradicate financial poverty, either individual or aggregate.

Stigma

Neither program represents a serious effort to reduce the stigma allegedly associated with public assistance. USB is an effort to make public assistance less inequitable among states and among different categories of beneficiaries. FFB is directed towards the inequitable exclusion of poor, male-headed families with an employed father. But neither program makes public welfare less selective in the sense of transferring income to the nonpoor. On the other hand, FFB proposes that the family benefit be administered by the Social Security Administration,
an administrative system considered less stigmatized than welfare agencies. A qualified plus is given to FFB on this basis; a minus given to USB on the assumption that more stigma is attached to local welfare systems.

a. Vertical Efficiency.

Both programs satisfy this criterion because the ratio of benefits received by the poor to total transfer benefits is 1. This is the case only for the transfer portion of the program. That is, nonpoor persons receive no benefits; no "leakage" of that kind takes place. But, taking into account the state "savings" changes the vertical efficiency ratio for each program. For USB, it is 7/15's; for FFB, 13/20's. Another way of expressing the relative poverty intensity is to compare poverty relief to state financial relief: the ratio of poverty relief to state relief in USB is 7/8's; in FFB, 13/7's.

On the first measure, both programs are vertically efficient. On the second, FFB is far more vertically efficient; 65 percent of its costs represent direct expenditures for the poor, compared with 47 percent of USB going directly to the poor. Since the two programs involve similar levels of federal expenditures, the efficiency ratio makes a useful distinction. Knowing that FFB is more vertically efficient than USB does not, however, tell us how important that criterion is—that is, what weight to give it. However, the comparison avoids difficulties that arise in describing two programs of vastly different cost. A $28 billion program with a vertical efficiency ratio of .5 may appear to be far more "efficient," from this perspective, than the $2 billion FFB program with a vertical efficiency ratio of .65. But this is the case only by mixing the adequacy and vertical efficiency criteria.
b. **Horizontal efficiency.**

Program USB is substantially less efficient, horizontally, than FFB. Indeed, increased horizontal efficiency in public welfare is the chief goal of the family benefit program. It is directed against what I termed problem (f) in the group of criticisms against the current welfare system (page 7). Since public assistance aids only about 40 percent of the poor, its horizontal efficiency ratio is .4. Since families headed by a man who works account for the major portion of those excluded from assistance, FFB has a much higher horizontal efficiency ratio, approximately .8. Conversely, USB is relatively inefficient on this dimension, since it retains the current categories of public assistance.

USB subordinates horizontal efficiency to financial relief of states. FFB seeks greater horizontal efficiency at the price of somewhat less financial relief to states. However, this is true only when one looks at the transfer portion of the programs. The work and food programs would change these comparisons slightly, but, for present purposes, we will ignore that complication.

**Work Incentives.**

USB provides for a continuation of the present Work Incentive program (WIN) scheme under AFDC. Under WIN there is an earning exemption of $30, a 67 percent tax rate on earnings, and a training-employment program exclusively for AFDC recipients. FFB provides more financial incentives to work than USB, but does not compel recipients to seek training or work. The FFB tax rate is 50 percent, which means that the $1500 guarantee is combined with a cut-off point of $3000. In addition, individuals receive $50 per month as a special incentive for taking job training.
FFB also provides incentives to the state to move welfare clients into training. It does so because the trainee would continue to receive his family benefit, any amount he might be receiving from the state to supplement that payment, plus the bonus incentive of $50 per month. States giving families additional benefits under FFB (as would surely be the case in the larger industrial states) could gain substantially from widespread use of this training-payment provision. The training program would cost an additional $600 million if 150,000 training positions were created. Currently, there are 88,000 training positions budgeted under the WIN program, of which 35,000 are filled. At an average cost of $4000/position, WIN would cost $352 million when fully utilized.

Program Costs

The additional federal cost of FFB, including the adult categories but exclusive of food and training programs, is approximately $2 billion. Of this, approximately $710 million results in savings to the states. The estimated cost of USB is $1.5 billion, of which roughly $800 million represents dollar-for-dollar savings for the states. Neither estimate, of course, takes into account what the states might do with their "savings"; hence, no estimate of total governmental costs of the programs plus state supplementary schemes.
The program costs criterion is more difficult to apply than it appears. If we take only direct transfers into account, the programs involve comparable federal program costs: $1.5 billion for USB, $2 billion for FFB. Two complications arise, however. The first is the addition of training and food stamp programs which raise federal expenditures to approximately $4 billion. The comparison in Table 4 involves only the cash transfers, and this may confuse more than illuminate. But even for cash transfers, the program costs are very hard to gauge. It is impossible to know what the work response will be and, hence, the federal costs over time. The above estimates are made as if the poor tomorrow would act precisely as they do today. Nonetheless, there is reason to believe the costs are not markedly understated. Few heads of four-person families would voluntarily quit working to receive FFB's $1500 guarantee. And USB does not assist the working poor.

**Political Support**

Both programs share whatever diffuse political support exists for "doing something about welfare." FFB directs itself toward the AFDC problem and, through a slight-of-hand name change, would, in the words of one promoter, "eliminate the much criticised AFDC program." USB directs itself to another aspect of the AFDC problem, the migration of welfare clients to large urban centers. FFB hopes to encourage families to leave welfare and also diminishes incentives for divorce and desertion presently found in AFDC programs. USB retains these unfortunate incentives
but provides inducements for families in the less wealthy states to stay there. The support for stemming migration and discouraging desertion of fathers is, however, extremely hard to measure. Congressional committees with welfare jurisdiction are well represented with members declaring "widespread" support for doing something about the welfare mess. It is precisely the unspecified extent and nature of support for action that gives discretion to the congressional elites who manage, manipulate, and judge options like USB and FFB.

The mass public's opinions are equally distant from the legislative system. Whatever diffuse hostility exists towards AFDC in the larger public could be used to justify either USB or FFB. Where the two programs differ most sharply—as, for example, on the question of whether geographical inequity is less pressing than the exclusion of the working poor from public assistance—public opinion is unformed and unlikely to be crucial in the decision-making process. Both programs tap other widespread anxieties: the desire for making work more attractive for welfare clients; the financial problems of the states and localities in meeting welfare costs; and the current preoccupation with food programs. Referring back to our six criteria, it is clear that USB and FFB differ most sharply on the weight given to horizontal equity in a welfare reform that does not address itself to the poverty gap.

The political costs and benefits from improving the horizontal efficiency of public assistance are easiest to estimate at the federal administrative level. The gains of substance are evident from either a welfare or public finance perspective. Professional reformers within the
bureaucracy have for some years been seeking universal public assistance based on income criteria rather than the present categorical scheme which defines eligibility in terms of the cause of low income (blindness, disability, old age, etc.). If bureaucratic support is the only measure, then FFB without doubt ranks higher. Neither proposal proposes to do away with state administration of other adult programs; hence, one cannot contrast them in terms of the jurisdictional squabbles raised.

A measure of political costs, better than bureaucratic preferences, is the anticipated objections of Congress. The political costs of USB arise from its failure to deal with the problem of the working poor and its relatively lower horizontal efficiency. Its advocates, however, would argue that the congressional system directly represents the financial interests of states and localities, and that only a minority of the Congress stands for interests of the working poor and welfare efficiency. This argument rests, however, on the assumption that widespread congressional support for each feature of welfare reform is the precondition for enactment (the consensus view of political support). If, in contrast, one assumed sufficient general support for a large class of welfare reforms, the greater equity and efficiency of FFB would be decisive. Bureaucratic support for equity and efficiency would greatly assist in creating the minimum favorable coalition in the finance committees of the Congress. Only if a determined majority developed against FFB would one say that the political support criterion dictated selection of USB.
The politics of welfare reform provide a striking illustration of the characteristic political processing of redistributive policies. The role of the bureaucracy in that arena is one of balancing the interests known to be involved in income redistribution. The Congress ratifies or refuses the bargains that are expressed in the legislative initiatives brought to it. The evaluative effort we have been making is an accurate representation of the comparative analysis that has already been made of USB and FFB within the Nixon Administration.

Constrained by a $2 billion budgetary allowance for additional cash transfers, committed to welfare reform, concerned about the pressures to relieve the states of part of their welfare burden, uncertain about what will reduce welfare rolls, federal officials have had to compare programs by criteria whose weights are uncertain. If we have been unable to provide those weights and, hence, the basis for a simple decision rule, at least we have isolated some important criteria and discussed some of the issues involved in giving them weights.
FOOTNOTES


2. Lee Rainwater to author, May, 1968. An example of cataloguing income maintenance alternatives can be found in Christopher Green, Negative Taxes and the Poverty Problem, (Washington, D.C., the Brookings Institution, 1967). James Vadakin, Family Allowances, (Miami: University of Miami Press, 1968) illustrates special pleading for one mechanism of cash transfer, in this case one defined by the age characteristics of the recipients. Variations in the nature of family allowances are substantial; European nations have programs so different that little is gained by grouping them as if they served common ends with comparable efficiency. Milton Friedman has disassociated his version of a welfare-replacing NIT from more generous negative tax plans such as James Tobin's. See Time, "Welfare and Illfare: The Alternatives to Poverty," December 13, 1968, and Figure 1. For support of the idea that concepts like NIT do not sufficiently describe a class of programs, see "Comment: A Model Negative Income Tax Statute," Yale Law Journal 78, No. 2 (Dec., 1968), p. 270, n. 6. The editors assert, "'negative income tax' has no precise meaning," and add that, when they refer to "negative income tax," they mean their own proposal.


4. Eligibility for AFDC requires that the family be needy, fatherless (or include an incapacitated father), and include children under 18; that the unemployed parent and/or mother accept a job or training for a job if offered (or else lose the benefits); and that, under the "Man in the House" Rule which applies in many states, the mother be moral. "Poverty, Income Sources and Income Maintenance Programs," The President's Commission on Income Maintenance Programs, (Background Paper No. 2, May 18, 1968), p. 11.

5. For a typical example (a), see The Advisory Council on Public Welfare, Having the Power, We Have the Duty, Report to the Secretary of Health, Education, and Welfare (Washington, D.C.: Government Printing Office, 1966), p. 2, which asserts that "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."

For (b) see the discussion of welfare's "inequitable treatment of marginal nonrecipients" in Jacobus tenBroek, "California's

For (c) see Charles A. Reich, "Individual Rights and Social Welfare: The Emerging Issues," Yale Law Journal, 75, (June, 1965). This theme is understandably stressed by welfare rights' groups, and raised in almost all discussion of public welfare. See also Having the Power, We Have the Duty, Advisory Council on Public Welfare, p. 74, for the warning that "There is great urgency for the emphatic assertion of public welfare's accountability for the protection of individual rights, and for the scrupulous observance of the individual rights of the people it serves."

For (d) see the illustrative remarks by Congresswoman Griffiths in the 1968 Hearings of the Joint Economic Committee, supra, n. 1; and Daniel P. Moynihan, "The Crisis in Welfare," The Public Interest, No. 10, (Winter 1968), p. 4.


For (f) see Moynihan, and the work by Lampman, among others, on how the American system of transfer payments affects the poor. Lampman, supra, n. 3.

6. For data on the characteristics of the unemployed, see, "Definition of Employability," The President's Commission on Income Maintenance Programs, (1.5.2), Jan. 16, 1969, pp. 23, 27 (to be published, Nov. 1969).


8. For a definition of poverty in relative terms, see Victor Fuchs, "Redefining Poverty," The Public Interest, No. 8 (Summer 1967), pp. 88-95. Martin Rein discusses the difficulties in absolutist, "bread-basket" conceptions of poverty in... Ferman, et. al., eds., Poverty in America (2d. ed.), (Ann Arbor: University of Michigan Press, 1968), pp. 116-133. English social critics have recognized the problem of fixed poverty lines for some time. For a cogent critical view (directed against the views of Rowntree), see...
Footnotes (continued)


9. It is extraordinary how difficult it is to convince the skeptics that tax exemptions are functional equivalents of direct government expenditures. See H. Aaron, "Tax Exemptions--The Artful Dodge," Trans-Action, 6, No. 5, (Mar. 1969), pp. 4-6, for a statement of both the problem and the good reasons one has for treating tax exemptions and direct benefits as fiscal equivalents. It should be added that the political process affecting the two forms of transfers differs, and that there may be great differences in the legitimacy associated with particular forms. As Aaron says, suppose, "...yesterday on the floor of Congress, Senator Blimp introduced legislation to provide cash allowances for most of the aged. Senator Blimp's plan is unique, however, in that it excludes the poor. The largest benefits, $70 per month, are payable to aged couples whose real income exceeds $200,000 per year. The smallest benefits, $14 per month, would be payable to couples with incomes between $1600 and $2600. Widows, widowers, and unmarried aged persons would receive half as much as couples. No benefits would be payable to those with very low incomes." Aaron remarks that "one can hardly imagine any public figure" introducing such legislation, for fear of being derided "in the press, by his constituency, and on the floor of the Congress. So one would think. But this system of 'old age allowances' has actually existed for many years, not as an expenditure program, but as a part of our tax system," through the double exemption granted aged couples.


11. The argument is not that programs related to one problem have no effect on other social ills; they do. But consider the difference between treating changes in children's tax exemptions as a tax reform issue and as an antipoverty remedy. A more equitable treatment of children's tax exemptions would not necessarily involve enough money to relieve poverty substantially.
Footnotes (continued)

12. The differences between reforming welfare and eradicating poverty come out sharply in how analysts regard the adequacy criterion. Some, like the editors of the Yale Law Journal, take it as given that desirable programs will have a guarantee level set at the poverty line. Indeed, they question whether the "SSA poverty line--the 'minimum money income required to support an average family...at the lowest level consistent with the standard of living prevailing in this country'--" is adequate, "even if it has gained wide acceptance." *Yale Law Journal* 78, No. 2 (Dec., 1968), p. 298, n.91. On the other hand, welfare reforms costing approximately two billion dollars are being actively considered by the Nixon Administration. It is clearly possible to evaluate such low-adequacy alternatives by other criteria, and this may be very important if budgetary constraints rule out what the *Yale* editors so strongly seek.

13. The poverty index set by the SSA is the minimum income per household of a given size, composition, and nonfarm status. In 1966 the Agriculture Department Economy Food Plan, which is the core of the poverty index, provided for total food expenditures of 75 cents a day per person (in an average four-person family). The index adds twice this amount to cover all family living items other than food. It has been adjusted for price changes since 1959, but has not kept pace with the increase in median income. Consequently, there was a larger absolute gap between median family income and the poverty line in 1969 than in 1959. Mollie Orshansky, "The Shape of Poverty in 1966," *Social Security Bulletin*, U.S. Department of Health, Education, and Welfare, (Social Security Administration, Mar. 1968), p. 5.

14. I am indebted to Robert Lampman for a suggested typology of poverty reformers. He distinguishes three perspectives: that of welfare (minimum floors of protection); of social insurance (security against variability of income over time through insurance); and of tax and public finance (equity of treatment, work incentives). Lampman emphasizes that each mentality directs attention selectively and ignores issues of great importance to the others. Thus, public finance experts are horrified by the inequitable treatment of welfare beneficiaries in different categories and in different states, and by the high marginal tax rates public assistance formally requires. Such considerations are less salient to welfare reformers who focus on adequacy of benefits, the speed with which destitution is relieved, etc. Social insurance advocates are more likely to evaluate transfers by the sense of entitlement they involve, the predictability of future benefits, and security they offer large classes of Americans, not especially the poor. This suggestive typology has yet to be worked out, but offers a way of comparing transfers that could be added to the approach I am suggesting.
Footnotes (continued)


17. Some evidence has recently been gathered in Wisconsin indicating that the poor are not as hostile to the means test as commonly asserted. Handler and Hollingsworth found that "the clients reported very little evidence of hostility toward their caseworker or coercion in the administration of social services." Joel F. Handler and Ellen Jane Hollingsworth, "The Administration of Social Services in AFDC: The Views of Welfare Recipients," Institute for Research on Poverty, University of Wisconsin, Discussion Paper 37, p. 29.


19. As Weisbrod says, "a ratio of unity would thus indicate that all resources of the program are being devoted to the target group and do not benefit any others." Weisbrod, p. 185.


Footnotes (continued)

23. In most of the literature proposing various income maintenance plans, guarantee levels are so low that to consider many heads of four-person families would give up higher incomes to loaf on $1500 or so per year is ludicrous and in violation of our common sense. Yet, for political reasons, there is still concern over incentive effects of such plans.

24. David Wilkinson, "Foxtracks Across Ice," unpublished paper, University of Wisconsin, provides an illustration of this point. He visualizes the plan "as a line from a reel anchored to the top of an economic ladder. The line assures that the family won't drop below a certain rung. At the same time it assists a family moving up the ladder, though with decreasing payout as the family gets closer to the top. The reel and line represent an income assistance system working in conjunction with the family's own efforts to increase total income with earnings. The line won't lift the full weight of the family to the top, but it continues to be of assistance until the family gets there." The maximum vertical length of the line represents the level of support minimally guaranteed. The lift of the line represents the tax rate applied to earnings, with a smaller tax rate producing more lift than a larger rate. The break-even level corresponds to the top of the ladder, the point where all the line is reeled in.


26. Remark made to me by Professor Ira Sharkansky, University of Wisconsin.

27. In response to a question about guaranteeing every family an income of at least $3200 a year (for a family of four), with the government making up the differences, the following results were obtained: favor - 36%; oppose - 58%; no opinion - 6%. Results of a question about providing enough work so that each family that has an employable wage earner would be guaranteed a wage of about $60 a week or $3200 a year were: favor - 78%; oppose - 18%; no opinion - 4%. American Institute of Public Opinion, Gallup Opinion Index, Report No. 37, July, 1968, pp. 23-24.


29. The following discussion draws on work of the staff of the President's Commission on Income Maintenance Programs which will present its final report in November, 1969.
Footnotes (continued)


31. One vivid illustration is the recent vote by the Wisconsin legislature to discontinue, because of cost, the state's AFDC-UP program, even though it comprised a small portion of Wisconsin's total welfare budget. This and other threatened retrenchments come at a time when the cost of living is rapidly rising and is thus exacerbating the welfare crisis.


33. All of the financial cost estimates are for Fiscal Year 1972. This postponement of program initiation reflects a number of considerations: the present administration's budget-cutting, the political gains of future as against present expenditures, and the assumption that passage of welfare reform would take perhaps two years.


35. On Oct. 2, 1969, President Nixon sent to the Congress the Family Assistance Act of 1969, a plan modeled after FFIB with the addition of a work requirement.