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Testimony before

Welfare Reform Subcommittee,

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Members of the Committee, and Guests,

My name is Alvin L. Schorr. I am currently Visiting Professor at the School of Social Service, Catholic University, in Washington, D. C. I have been an official of the Social Security Administration, HEW, and OEO, and have written extensively on income maintenance. Much of what I have to say is drawn from articles prepared for publication. I appreciate the opportunity to testify today.

My testimony goes to the fundamental premise of H.R. 9030, and you will find that it barely addresses the bill in detail. Yet I believe that many of the dilemmas that prove impossible to work out in the bill--and indeed the basic reason that welfare reform went down to defeat the last time around, lie with the fundamental premise. I hope you will bear with me while I explore this matter. I believe understanding it will lead to a somewhat different approach to the bill before you.

The Carter proposals and the Nixon welfare reform made a fundamental choice about welfare and social security that only economists, if they, so far understand and agree upon. That agreement is (I quote Alicia H. Munnell in a magazine called Challenge) ". . . that the earnings replacement and welfare functions /of social security/ could be fulfilled more efficiently if they were performed by two separate programs." That is, social security should become rather more like private insurance and income support solely the concern of a new welfare program. The remainder of this statement offers a contrary argument and an outline of alternate proposals.

Social Insurance Ideology. Welfare policy from 1935 until perhaps 1960 may be characterized as having been based on a social insurance ideology. We identified major risks to income--old age, disability, widowhood, being orphaned, unemployment--and added a program that would guard against each new risk. The programs were targeted to those likely to be poor and the payment formula was developed to favor those who had had least income. So, in principle social insurance was designed to prevent poverty. (It still prevents poverty--for some 12 to 13 million péople in 1975.) Social insurance was the fundamental safeguard, and welfare was to be a relatively small program for people not otherwise protected.

The 1960s saw a substantial reversal of this ideology. The view was increasingly set forth that social security ought to pay benefits more directly in relation to contributions. That would give more to those whose incomes had been higher and less to those who had had less. Therefore poverty would be dealt with in a new welfare program--no longer longer small; indeed it would become the government's basic anti-poverty program.

Whether because of the influence of this view or for other reasons, there was a broad move to "income-testing." (In income-tested programs, the principal criterion for receiving benefits is a demonstration that one has inadequate income. For example, welfare and food stamps are income-tested, social security and unemployment insurance not.) Of late, social security benefits have tended to be improved by percentage increases; such increases go disproportionately to those in the upper salaried brackets. New social insurance programs have not been devised as important new risks arose--notably the burden of child support in intact larger (i.e. working poor) or single-parent families. And welfare and food stamps have had to fill the gap. Between 1968 and 1973, the annual cost of social insurance increased by 77 percent. The annual cost of income-tested programs increased by 130 percent--from $16 billion to $37 billion. It does not follow that poor people were getting a larger share of the government money; social insurance is a much larger pie to cut up.

Dilemmas of Income-Testing. On the whole, social insurance programs escape such problems as whether people will malinger in order to qualify. Entitlement is based on some life event not readily subject to manipulation--death, disability, dismissal from a job. Where the issue may arise, time limits are set. For example, unemployment insurance is available for no more than six months or a year. In a refundable tax credit, which will be discussed below, a set payment is made for every person, and issues of incentive do not arise.

Income-tested programs are another matter. It is the failure to work that creates inadequate income and therefore entitlement; presumably one might decide not to work in order to get welfare. Small income-tested programs could deal with this issue in almost handicraft manner. That is, one could talk to an applicant and understand whether he could work or why not. However, massive income-tested programs--whether welfare or negative income tax--cannot interview so many people, get uniform judgments made, and follow up systematically. Technicians have therefore sought a scheme that would not rest on interviews and judgments, a scheme that would build incentive to work into the basic design of programs. The notion of a built-in incentive formula is simple enough: Above a stipulated minimum level, a recipient would retain 33 percent or 50 percent or some other percent of earnings. Extensive field experiments in New Jersey and elsewhere report that people continue to work under such conditions.

But in welfare itself, experience with such formulas has been discouraging. Since 1962, Congress has been enacting progressively generous incentive provisions for welfare, which now operates with provisions similar to those in the reform proposals. A national study conducted for HEW has found that neither workers nor recipients understand the incentive provisions, nor upon instruction were they brought to understand. The link of poorly educated recipients to a closed job market is spasmodic, their family situations volatile, and the theoretically simple formula complex in practice. Changes in welfare payments appear random, even when they are not; not even the welfare workers believe in the incentive formula.* Therefore, agencies wind up trying to police people's inclination to work, producing heavy administrative cost and an adversary relationship between officials and beneficiaries.

Income-tested programs face other problems where they overlap. A Joint Economic Committee report in 1974 made it clear that people might, with multiple benefits, achieve the equivalent of very large incomes. Although the number of cases in which this happens may be small, the possibility has itself become a public issue. And certain program relationships constitute an incentive so powerful as to be well understood. For example, a public assistance recipient is entitled to Medicaid. He does well to think twice before taking a job which , though it may increase his income a little, deprives

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*This problem of credibility would be compounded by a feature of the Carter proposal. In current programs, the welfare check is adjusted each month to take account of earnings expected each month. In the President's proposal, it would be adjusted each month on the basis of average income for the prior six months. Only a computer-equipped welfare recipient will be able to work out the relationship of his monthly check to earnings he may have had.

him of eligibility for Medicaid. There does not appear to be a reasonable way out of these problems, once one accepts large-scale income-testing.

Redistribution. Problems of design and administration are compounded by a deeper issue. One ordinarily assumes that poverty is an objectively defined level of living related to basic bodily needs and social decency. But it is evident that, viewed across countries or across time in our own country, the poverty level is defined in relation to national wealth and, in particular, to average family income. Victor Fuchs explored definitions of poverty over an extended period of time to conclude that ". . . any family /is poor/ whose income is less than one-half the median family income." (The Public Interest, Summer 1967) By that definition, a more or less stable 20 percent of the population has proved to be poor since 1947. One can press the point over a longer period of time. By the current definition of poverty, at the turn of the century practically everyone should have been called poor. But looking around himself in 1904, Robert Hunter in a book called Poverty estimated that 12 to 24 percent of the population was poor.

What technicians have lately learned is only the simplest common sense, after all. The blacks who rioted in the Watts section of Los Angeles in 1965 felt poor in relation to the style of living they saw on television screens every day. That they may have been wealthy by the standards of people living in shacks in Argentina or, for that matter, Mississippi helped them not at all. Official statistics show a substantial decline in the proportion of the population poor since 1964, but the dollar figure we are using for poverty now, $5,500 for a family of four, strains credulity. It takes little imagination to predict newly refined studies of poverty, emerging with new definitions in a few years, and the conclusion that 20 percent of the population is poor.

The stability of the poor as a proportion of the total population is, a moment's reflection may suggest, a consequence of the remarkable stability of our income distribution. If families are poor that have less than half of median income, with exquisite management the poorest fifth of the population might be kept from poverty with about one-tenth of national income--that is, with half their strictly proportional share. But if their share is only one-twentieth, as it has been for thirty years, the task is hopeless. In other words, reducing poverty in any substantial way requires redistribution of income.

Efficiency. The argument usually given for income-testing is that it produces efficient use of money, in the sense that a high proportion of program cost goes to poor people. Although plausible, the statement is misleading. When income-tested programs deal with the so-called working poor, the issue of incentive to work arises. One solution is to set assistance standards so low that assistance cannot conceivably compete with income from employment. It is a doubtful favor to poor people to provide them with an efficient program that carries such a constraint.

An alternative solution is to build the incentive formula discussed above into an income-tested program. But such a formula makes payments to people with incomes well above the level that is set as minimum. For example, if the government's minimum were $3,600 and a worker could retain 50 percent of any earnings, families with incomes up to $7,200 a year would receive relief payments. That turns out to be not so efficient after all.

In 1969 a Presidential Commission, recommending just such a program, disclosed that little more than a third of its benefits would go to poor people! Payments would have been made for 40 percent of the Nation's population.

Of course, the minimum would never have gone to the poverty level; no Congress would have spent so much money defined as relief on so many people in the country. The true efficiency built into income-testing is that levels tend to be kept low, and money for poor people effectively rationed. Those who doubt this should watch the Administration's welfare reform move through Congress.

One does not ignore considerations of efficiency. A degree of efficiency is built into social insurance because it selects groups of people--the ill, the aged, the unemployed, and so forth--who intrinsically tend to be poor. Thoughtfully designed, social insurance competes on equal terms with income-tested programs in terms of efficient use of public funds.

What Sort of Society? One must also face a profoundly important social issue. In Beyond the Welfare State, Gunnar Myrdal warned that we are developing a "permanent underclass"--people with chronically inferior incomes and a characteristic employment pattern. A school of economists now argues that we have two distinct pools of labor, one of them essentially low-paid, non-union, and dead end. As the balance of public policy shifts heavily toward income-tested food, housing, medical care, day care, and higher education--not hypothetical examples--we move toward a duplex society. One portion of the population lives with a free market while the underclass lives in a world of welfare, public clinics, and housing administrators.

That the underclass turns out to be constituted of the most aggrieved minorities makes the development entirely dangerous. Even if not dangerous, an underclass would stand as an abiding insult to the spirit and mood of the Nation. By contrast, programming the social insurances as the first line of defense against poverty tends broadly to prevent program separation by class. And social insurances avoid the sense of official intrusion into private affairs that appears inevitably to accompany income-testing. That is to say, social insurances tend to escape an adversary relationship between civil servants and those whom they serve.

In Short. Genuine welfare reform rests on the use of transfer payments--social insurance in particular--to prevent poverty. If this function of social insurance is undermined, a load is placed on welfare that it cannot administer soundly. No other western industrial country does this. Extensive income-testing creates dilemmas in programmed incentive and program interrelationships to which there are not apparent solutions. Efficient use of public money is not necessarily achieved by unthinking reliance on income-testing. Income-testing is efficient at low levels of support, but design must permit adequacy at least eventually.

Aside from technical considerations, poverty is really a function of income distribution. If in the long run there is to be genuine diminution in poverty, as Americans inevitably redefine poverty over time, there must be a shift in income distribution. That requires a strategy that addresses the entire income transfer system, and the social insurance ideology lends itself to such a strategy. In the end, one asks what may be the overriding question, whether we seek a strategy that moves towards one nation or two.

If we want one nation, what steps might we take?

Social Security.

We begin with a direct rejoinder to the view that contributors to social security are not getting value for their money. Under the benefit formula for social security a larger percentage of low than of high wages is replaced. This may give the impression that income is being redistributed from the retiree with a record of high earnings to one with a record of low earnings. In fact, the bulk of redistribution is not between groups of retired workers but from the working population to the retired population.

For example, one may consider two hypothetical cases: A worker who from 1937 always contributed the maximum, and a worker who always contributed half of the maximum. We credit both employer and employee contributions with 3 percent interest and adjust to take account of inflation as well. Presumed lifetime benefits on retirement at age 65 are based on current actuarial assumptions. Contributions are treated as if there were no cost for survivors, disability and health insurance.

Under these assumptions which treat the workers' contributions as liberally as may be, the low-paid worker nevertheless receives an inter-generational transfer or government subsidy at retirement of $18,400 and the high-paid worker $25,800. Both are subsidized by the government and the high-paid worker more than the low-paid worker. In general, beneficiaries have paid for no more than one-fourth to one-third of their lifetime benefits. The rest is subsidy. Viewed in this light, the argument for a benefit formula with stricter wage-relatedness is an argument that the worker who pays in more has a right to proper return on his contribution and to a larger subsidy (i.e. intergenerational transfer). One may reasonably take the opposite view, that is, that the subsidy ought to be no more, if indeed as much, for the high-paid worker.

We note in passing that the benefit formula and other provisions, in favoring those with higher income, operate to the particular disadvantage of such groups as low-wage earners, women, blacks, and families with children. Considerations such as the following are involved. A worker retiring at age 65, having worked continuously at minimum wages from 1956 to 1973, would have received a benefit equivalent to 90 percent of the poverty level. Benefits based on a woman's own earnings are often smaller than the benefits she could receive as the wife or widow of a retired or deceased worker. Low wages, discrimination in pay, and less stable employment than among whites contribute to relatively low benefit levels for blacks. Families with children are particularly affected by a maximum family benefit, limiting the amount that a family can receive regardless of the number of dependents. About half of beneficiary families lose benefits for this reason, and about 70 percent of all children are affected.

American social security appears to have the foundation and legitimacy for developing into an explicit two-tier system, along lines familiar in a number of European countries. Great Britain began its social security system with a uniform payment for all beneficiaries. Later, it provided earnings-related benefits in addition. Other European countries, following Germany, began with an earnings-related benefit. Later, they added uniform benefits for everyone. By either historic road, Europe came in the end to a common set of principles: A basic floor of income to all beyond a certain age or otherwise entitled, and in addition a benefit based on prior earnings. One tier prevents poverty; the second tier recognizes prior earnings or standard of living. If we move towards such a system, twin objectives of an adequate minimum benefit and greater effectiveness in redistribution seem achievable.

The current social security formula can be roughly stated as a flat benefit of $96 a month plus 50 percent of earnings up to the average wage level of $650. In the long run, the flat amount should be raised to a sum representing an equal share of the intergenerational transfer for every beneficiary (approximately $135 a month in 1974) and an add-on strictly based on past contributions with credited interest. In effect, a flat pension and a benefit like private insurance would be combined into a single formula, with the inter-generational subsidy enhancing the flat pension rather more than now and the wage-related portion rather less. Such a plan is presented in more detail in a chapter by Martha N. Ozawa in Jubilee for Our Times (Columbia University Press, 1977). Calculations suggest that the level of the flat payment could, within current revenues, approach the level assured by the current program of Supplementary Security Income for the aged and disabled, and therefore make that program unnecessary.

Such a structure offers a considerable possibility for rationalizing social security. It would provide a direct answer to and assurance of propriety for those who are concerned that they are not getting fair return on their contributions. It would establish a nationwide minimum income, without income-testing, for covered classes of citizens. And by separating in principle the government subsidy from what is owed to contributors, it would give the government a degree of control over expenditures on social security--control that it does not now appear to have.

Introductory Reforms.

Plainly, such a reformulation could not be accomplished overnight. As some would gain, others would lose. One can avoid losers (at least in the sense of asking them to give up money they have been receiving) by building towards a reformulation as the program moves forward. In other words, new investment in social security ought to be made in ways that build towards a rather more social system of social insurance. The following proposed changes, desirable in themselves, move in that direction.

1. Averaging the cost-of-living adjustment. Percentage benefit increases, whether or not tied to the cost-of-living, provide larger benefits to those with higher wage records. Those are in general people with more savings and other income. The sum of money dedicated to the cost-of-living adjustment now in law should be averaged across the beneficiary group and paid out as a flat sum. Alternatively, higher percentage increases may be provided at lower payment levels and lower percentage increases at higher levels.

2. Minimum and maximum benefit levels. The minimum benefit level should be moved upward   and a maximum benefit level made explicit in law. The 1975 Advisory Council on Social Security recommended that the minimum benefit should be held as is, even though benefits in general continue to rise. Thus, moving in the wrong direction, they formulate the precise distributive issue--whether social security is to become less social and more like private insurance. As for the maximum, it might be expressed as a ratio

of the minimum (3.2 in 1974). Social security is going to require further increases in maximum taxable income, and the President has made proposals to that end. As higher salaries are taxed, the formula will provide higher benefit levels at the upper ranges, putting pressure on funds available in the lower wage ranges. Even with a maximum benefit, workers with higher wage records will be receiving a considerable subsidy.

A variety of considerations may lead to the view that the minimum benefit should be applicable to only one spouse. Similarly, retirees receiving benefits from other public systems would be precluded from receiving the improved minimum benefit.

3. Early Retirement. The aged choosing early retirement now have benefits reduced by 20 percent; the reduction should be changed to 10 percent. Three out of five retirees now choose early retirement. They are in general the poorer and less well of the aged, so their benefits are low even before reduction. While early retirement may be attractive to people receiving other public benefits, barring improved dual benefits as suggested above would deal with that problem. If the proposal made in item 6 below should be enacted, it might be less important to alter the actuarial reduction as recommended here.

4. Dependent benefits for a spouse should be converted from a percentage of the insured person's to a flat amount. (No one currently receiving benefits as a dependent would suffer a dollar reduction.) Percentage benefits favor those at higher levels of earnings. It is more significant to families that the benefit levels available on one's own earning record be adequate, and it is those levels that require to be built

up. Another proposal moving in the same direction is to reduce a wife's benefits from one-half to one-third of the worker's benefit and at the same time increase the worker's benefit by 12½ percent.

5. Maximum family benefit. The effect of the maximum family benefit is that no more than one or one-and-a-half children receive dependency benefits. The rule is an effort to avoid having the family of a disabled or deceased worker receive more in benefits than he was able to earn. Some more favorable compromise between this problem and adequacy ought to be struck. It should be specified, for example, that while retaining the present wording of the rule, nevertheless every entitled child would receive no less than $75 a month in disability insurance and no less than $112 a month in survivor's insurance on his own behalf.

6. Liberalize disability insurance. The definition of disability should be eased for older workers. Older workers should be eligible if unable to perform work for which they have demonstrated a capacity by previous training and experience. The present definition, which requires that they be unable to perform "any substantial gainful activity," seems appropriate for younger workers. The task for them is to become retrained or rehabilitated and able to rejoin labor force. Past the age of 55, however, there is in most cases little realistic possibility of being able to undertake entirely different work.

Refundable Tax Credits. A refundable tax credit is a credit against income taxes or a cash payment to the extent income taxes are not owed. It is usually proposed as a substitute for the personal exemption in income taxes. Personal exemptions are worth more to those who pay a higher tax rate. That is, a \$750 exemption is worth \$375 to the man who reaches a 50% tax rate but only \$150 to the one who is taxed at 20 percent. The tax credit is worth the same amount to every taxpayer. Current law contains a small tax credit but that provides benefits only to those with earned income. A refundable credit would be payable equally to those without earned income. Refundable tax credits would serve the following four objectives.

First, if full-time, year-round work at minimum wages supports a family of four, a married worker with three children and minimum-wage income will find himself poor. For that reason, pressure develops for higher minimum wages and is resisted by the argument, among others, that overly high minimums will wipe out jobs. In the absence of higher minimum wages, of course, large numbers of employed families with children constitute the so-called working poor; some argue on grounds of equity that <u>they</u> should receive welfare. The problem is not new; Paul Douglas, then a Professor, wrote a book called <u>Wages and the Family</u> about the problem almost exactly fifty years ago. As it is mainly families of four or five members or more that feel the gap, the provision of a moderate tax credit per person would mitigate their problem.

This is not intended to suggest that a tax credit may replace raising the minimum wage, but only that there is always a gap between minimum wages and the need of middle- and large-sized families.

Second, income transfer programs are seriously entangled over the issue of family size. Unemployment insurance may provide modest support for a small family but is entirely inadequate for a family with three or four children. Therefore some States pay additional benefits for dependents; others do not. Social security's dilemma concerning maximum family benefits, that is, trying to provide for additional family members but limiting that provision to one or one-and-a-half dependents, arises out of an attempt to adjust for family size without quite abandoning wage-relatedness. Every solution strikes an uneasy balance between inadequacy and benefits plainly out of line with contributions. A refundable credit would deal with the issue equitably across the entire population, and free transfer programs from the need to adjust payments to family size.

The third objective is, in effect, a summary of the first two. If we seek to redistribute income and to meet the cash needs of poor or moderate-income people without extensive income-testing, tax credits offer one reasonably effective device. They tend to be effective because 1) they substitute a flat payment for a tax benefit that favors those with more income; and 2) because of the natural careers of families and income development, the benefits tend to go disproportionately to families with less income. That is, benefits tend to go disproportionately to larger families and families with children, where poverty is concentrated.

Fourth, from the perspective of each affected family over time, the refundable tax credit would in effect tax families more heavily in the families' later years, when income is at a peak and family need relatively reduced. The extra money a family is paying in taxes would turn out to have been advanced to it in its early years, when family earnings were relatively low and family needs at a peak. Taken family by family, the program is a means of borrowing from relatively affluent futures for the relatively straitened early period of family development--when one may invest in children and self-betterment or not.

The program would work as follows. Families could elect to receive a cashable credit of $250 per person (absorbing the current tax credit) in the place of the $750 personal exemption. The credit would be reduced by 5 percent of income in excess of $6,000. Families may elect to retain the present tax exemption instead of taking the tax credit, but they would not be able to take the tax credit in one year and return to the personal exemption in another. Those with a sufficiently high marginal tax rate might choose to forego the tax credit and claim the exemption. The program choice here is to avoid actually taking money from anyone.

In 1972, families with less than $5,000 Adjusted Gross Income would have received an additional $5.4 billion, almost 80 percent of it as direct payout. Families between $5,000 and $15,000 would have received $6.5 billion, almost entirely as tax reduction. Those two income groups accounted for 75 percent of family units. For families between $15,000 and $20,000, there would have been small tax reductions (total, $384 million). Net cost under 1976 law is somewhat lower--in total, an estimated $6.8 billion.

We observe, once more in passing, that an argument can be made for a program of children's allowances that is similar to the argument for a refundable tax credit. The two ideas are more similar than may appear. The children's allowance, because the payment itself may be made taxable, is more redistributive (or efficient). On the other hand, the children's allowance suffers from an unfounded but politically potent view that it would increase the birth rate.

Other Social Insurance. Social insurance programs other than social security are also significant. Unemployment insruance should be improved to provide adequate minimum benefits and a reasonable rate of replacement of wage loss. Federal minimum benefit and duration standards seem to be required, as well as federal action to assure adequate coverage and financing. Although state Workmen's Compensation programs have made noticeable progress in recent years, they still leave much to be desired. As with UI, adequate minimum benefits, a reasonable rate of wage replacement, and coverage all need to be assured. Moreover, all states have full coverage of work-related injuries and accidents but few provide completely for work-related diseases. This is rapidly becoming a decisive factor in determining the level of protection against wage loss due to work hazards.

Indeed, the nation needs a universal program to protect against wage loss due to short-term disability not related to employment. The use of federal subsidies and grants-in-aid to induce states to develop Temporary Disability Insurance seems futile. Even if all states developed such programs, inter-state variations in benefits, duration, and eligibility requirements would persist. While thought has turned in the past to the development of a new TDI program, at this point in history it might more reasonably be developed as an expansion or liberalization of Disability Insurance. If the waiting period for Disability Insurance were reduced to two months and the requirement removed that the disability would persist for twelve months or more, Disability Insurance could provide much of the security that is required.

Conclusion. Recommendations for reforming welfare should lie, in the first place, everywhere outside welfare--a low unemployment rate, higher minimum wages, tax credits, and improved social insurance.

With respect to improved social insurance in particular, the following gives some indication of the possible impact of the proposals on welfare. With AFDC providing an average per person cash payment of about $70 a month, a refundable tax credit of $21 a month should reduce caseloads by roughly 30 percent. A smaller number: About 4 to 5 percent of AFDC families also receive social security payments. Presumably, they are casualties of the maximum family benefit and could readily be removed from the need for AFDC. And the effects on AFDC of the limitations of unemployment insurance have not had a figure set to them. As an example, however, when the federal program of supplementary UI was terminated in New York State a couple of years ago, 400,000 people were unloaded, many of them presumably to apply for AFDC or General Assistance.

Over the years, it has appeared that by providing employment and full use of reasonable social insurance, welfare caseloads could be reduced to 7 or 8 million people nationally, with no one remaining poor. That is in contrast with HEW estimates that the Nixon welfare reform--less generous than Carter's--would have produced a caseload of 20 to 25 million people--one tenth of the Nation!

With steps taken such as have been outlined, welfare would become a program for a smaller group of people. It would deal with those for whom social insurance does not or could not prevent poverty--chiefly mothers who remain outside the labor force and their children, a much smaller number than now on AFDC--and also a relatively few working-age adults who are in trouble for some special reason. In the same series of steps, SSI would disappear, and a "residual" program would be required for special or emergency situations of the aged and disabled.

Designing such a welfare program would be a great deal simpler than under current circumstances. Work incentive provisions so laboriously inserted into welfare and so plainly ineffective and complicating to administration could be abandoned. More to the point would be social services intended to assure the nurture of dependent children and to help with the special problems of such a clientele. The aged and disabled who require emergency help could be dealt with in the same program as the mothers and children.

One ought perhaps conclude with some words about political pragmatism. The cost of the proposals outlined are large but most of them will be undertaken anyway. The refundable tax credit costs less ($6.8 billion, it has been noted) than the one-time credit the President originally proposed, and Congress will shortly entertain expenditures of this magnitude in considering tax reform. Many of the expenditures will mean lower welfare costs; that is one of the plain purposes of these proposals. And most of the cost in the social security proposals represents a shifting of funds that would be spent under current law rather than an increase. In short, the effect and purpose of the proposals is not in particular expansionist but redistributive.

The effect of this long argument with respect to H.R. 9030 is as follows: First, that the proposals to provide public employment be considered on their own merits. It is necessary and desirable to continue and expand public service employment so long as we anticipate unemployment rates in excess of 4 percent. Second, that the concept of an Earned Income Tax Credit be considered in the light of the broader, refundable credit described here. Third, the possibilities of wide-ranging improvement of social insurance as a poverty-preventive (i.e. redistributing benefits, not necessarily increasing their total cost) should be surveyed. And finally, the income maintenance system itself should be reformed when we begin to understand how much smaller the welfare program can be made to be, and in what ways.

(I must say parenthetically that the change in accounting period in H.R. 9030 is particularly mischievous, and will cause much pain and confusion if enacted.)

I understand that States and cities demand immediate fiscal relief; they have good reason to do so. Perhaps a way can be found to give them temporary relief; that would be sound. But the entire country will pay for unsound welfare policy, and I cannot but think that that means that states and cities will pay.

I thank you again for your attention.