

422

INCOME MAINTENANCE PROGRAMS

HEARINGS

BEFORE THE

SUBCOMMITTEE ON FISCAL POLICY

OF THE

JOINT ECONOMIC COMMITTEE

CONGRESS OF THE UNITED STATES

NINETIETH CONGRESS

SECOND SESSION

—————
JUNE 11, 12, 13, 18, 19, 20, 25, 26, AND 27, 1968

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Volume II: APPENDIX MATERIALS

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CONTENTS

	Page
APPENDIX 1: Report from the steering committee of the Arden House Conference on Public Welfare.....	445
APPENDIX 2: Challenge and Response: A report to Gov. Nelson A. Rockefeller by the New York State Board of Social Welfare, May 1968.....	492
APPENDIX 3: "No One Can Stop It—Except Us," 101st Annual Report of the New York State Board of Social Welfare and the New York State Department of Social Services, 1967.....	499
APPENDIX 4: "The Family Allowance," by Martin Schnitzer, professor of finance, Virginia Polytechnic Institute.....	520
APPENDIX 5: "Innovation in Public Assistance: The Case of Eligibility Declaration," by Sydney E. Bernard, associate professor of social work, School of Social Work, University of Michigan.....	529
APPENDIX 6: "The Poverty Line. What Is It?," prepared by Edwin A. Day, associate director for research, Poverty/Rights Action Center, Washington, D.C.....	538
APPENDIX 7: "Tax Policy and Children's Allowances," by Harvey E. Brazer, University of Michigan.....	575
APPENDIX 8: U.S. Commission on Civil Rights: Staff reports.....	582
Farm programs.....	582
Employment.....	591
Interim staff reports: Alabama hearing, Montgomery, Ala., April 27—May 2, 1968—Statement of William L. Taylor, Staff Director, U.S. Commission on Civil Rights, June 14, 1968.....	600
Staff report: Education.....	604
Staff report: Health, welfare, and food programs.....	612
APPENDIX 9: "The Challenge of Urbanization," by Philip M. Hauser, University of Chicago.....	619
"Anti-poverty and the Cities," by Philip M. Hauser.....	628
APPENDIX 10: "Eliminating the Purchasing Power Gap Through Two-Factor Theory and the Second Income Plan," by Louis O. Kelso and Patricia Hetter, San Francisco, Calif.....	633
APPENDIX 11: "Ownership and Income," a policy statement adopted by the executive committee of the National Catholic Rural Life Conference, Des Moines, Iowa, June 19, 1968.....	653
APPENDIX 12: Statement of the National Association of Manufacturers.....	658
APPENDIX 13: Testimony of Lawrence Podell, professor of urban studies, Graduate Division, City University of New York.....	663
APPENDIX 14: Statement of Howard M. Squadron on behalf of the American Jewish Congress.....	668
APPENDIX 15: Policy Statement on Poverty, Jobs, and Incomes: Friends Committee on National Legislation, submitted by E. Raymond Wilson, executive secretary emeritus.....	671
APPENDIX 16: "Fallacies of the Negative Income Tax," by Henry Hazlitt.....	674
APPENDIX 17: Statement by Harold Watts, University of Wisconsin professor of economics, and director of IRP.....	675
Statement by Harold M. Groves, University of Wisconsin professor of economics.....	675
A Statement by Economists on Income Guarantees and Supplements.....	676
APPENDIX 18: Materials submitted by the National Association of Social Workers:	
"A Way To End the Means Test," by Edward E. Schwartz, George Herbert Jones Professor, School of Social Service Administration, University of Chicago.....	691
"Alternatives in Income Maintenance," by Alvin L. Schorr, Deputy Chief, Research and Planning, Office of Economic Opportunity, Washington, D.C.....	703
Lifting the Poor Out of Poverty: A Background Paper, prepared by Alan D. Wade, associate professor, School of Social Service Administration, University of Chicago.....	711

APPENDIX 1

REPORT FROM THE STEERING COMMITTEE OF THE ARDEN HOUSE CONFERENCE ON PUBLIC WELFARE*

STAFF

Victor Weingarten, *Conference Director*
Joanna Barnes
Janice Blau
Mrs. Richard W. Dammann
John W. Gerber
Mrs. Erasmus Kloman
Mrs. Frank A. Rodda

CONTENTS

	Page
Arden House Steering Committee.....	446
Foreword	449
Highlights	452
Profile of Poverty and Welfare.....	455
Summary of major findings and recommendations.....	461
Additional comments and suggestions.....	471
Summaries of position papers and related data.....	473
Chart : Schematic for a systems approach to poverty and welfare.....	483
Arden House conferees.....	486
Sources of philanthropic support.....	489
Bibliography for steering committee report.....	490

*Appointed by Governor Nelson A. Rockefeller ; commemorating the 100th Anniversary of the New York State Board of Social Welfare.

ARDEN HOUSE STEERING COMMITTEE

JOSEPH C. WILSON : Chairman of the Board of Directors and Chief Executive Officer of Xerox Corporation. He is a trustee of the Alfred P. Sloan Foundation, and of the Committee for Economic Development. Mr. Wilson is also honorary Chairman of the University of Rochester Board of Trustees and a past president of the Rochester Chamber of Commerce.

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PHILIP M. KLUTZNICK : Chairman of the Urban Investment and Development Co., Chicago. He is also Chairman of the Board of American Bank and Trust Company of New York City. Mr. Klutznick is a member of the State of Illinois Medical Commission and a Governor of the Metropolitan Housing and Planning Council of Chicago. In public service related to urban development, Mr. Klutznick has served by presidential appointment in the Federal Government since 1935. He was Representative of the United States to the Economic and Social Council of the United Nations in 1961-62.

GUSTAVE L. LEVY : Chairman of the Board of Governors of the New York Stock Exchange. A partner in the firm of Goldman, Sachs & Co., he is a director of many industrial and business organizations. Mr. Levy is General Chairman of the United Jewish Appeal, past president of the Federation of Jewish Philanthropies of New York, President of Mount Sinai Hospital, and Treasurer of the Lincoln Center for the Performing Arts.

BALDWIN MAULL : Chairman of the Board of Marine Midland Corporation. In 1965 he headed the New York State Citizens' Committee on Welfare Costs, and earlier had served on the Moreland Act Commission on Public Welfare. Mr. Maull is a director of several corporations. He is also a member of the Board of Managers, State Communities Aid Association, and has been affiliated with numerous community organizations, including the Community Welfare Council of Buffalo and Erie County.

ARJAY MILLER : Vice-Chairman of the Ford Motor Company. He is a member of the Boards of Trustees of the Brookings Institution, the Committee for Economic Development, and the National Industrial Conference Board. Mr. Miller serves as Chairman of the Visiting Committee of the University of California at Los Angeles Graduate School of Business Administration and as a member of the Harvard Business School Visiting Committee.

ALFRED C. NEAL : President of the Committee for Economic Development, New York City. An economist and research executive, he is a member of the President's

Public Advisory Committee on Trade Negotiations and an advisor to the Office of Economic Opportunity. A former Vice President of the Federal Reserve Bank of Boston. Mr. Neal taught economics at Brown University and is the author of several books in that field.

ALBERT L. NICKERSON: Chairman of the Board and Chief Executive Officer of Mobil Oil Corporation. He is a director of the Federal Reserve Bank of New York, Chairman of the Balance of Payments Committee of the U.S. Department of Commerce, and Vice Chairman of the Business Council. A trustee of Rockefeller University and the American Museum of Natural History, Mr. Nickerson is also a member of the Corporation of Radio Free Europe, a Harvard College Fellow, and a trustee emeritus of International House.

HARVEY C. RUSSELL: Vice President, Community Affairs, Pepsico, Inc. He is a member of the Advisory Council of President Johnson's "Plans For Progress," the U.S. State Department Advisory Council on African Affairs, and the Business Leaders Advisory Council of the Office of Economic Opportunity. Mr. Russell was a member of the New York State Citizens' Committee on Welfare Costs, and is a director of the Westchester Adoption Service and a member of the Board of Managers of the New York State Communities Aid Association. He is also a trustee of Tougaloo College, Mississippi.

SAMUEL J. SILBERMAN: Chairman of the Board of Consolidated Cigar Corporation. He is President of the Federation of Jewish Philanthropies of New York and a trustee of the National Conference of Christians and Jews. Mr. Silberman is also a member of the Board of the Greater New York Fund and the National Committee for Social Work Education of the Council on Social Work education.

foreword

In March, 1967, as part of the observance of the 100th Anniversary of the New York State Board of Social Welfare, Governor Nelson A. Rockefeller invited 100 of the nation's leaders in industry, labor, news media, philanthropic foundations and government to participate in a conference "to help plan new approaches to public welfare in the United States."

Participants from 14 states and from 12 cities within New York State accepted the Governor's invitation and challenge which, essentially was: "If the problem of public welfare was given to you, what would you recommend as sound public policy for the next decade?"

In convening the group, Governor Rockefeller said: "It is largely the private sector of the nation that has historically demonstrated ingenuity and inventiveness, the resources and resourcefulness that made America what it is today."

The Conference was planned to utilize these assets to help find possible new approaches to deal more effectively with the persistence of welfare dependency in a nation of plenty.

It was recognized at the outset that the public welfare laws, and particularly the public assistance portion, were extraordinarily complex, and that few of the Conference participants had had any prior knowledge of, involvement with or responsibility for the subject.

The hope was that creative minds, unencumbered by past involvements, could take a fresh, objective look at the situation as it exists, analyze the available data, assess its strengths and weaknesses, attribute a variety of values to what it found and, where indicated, recommend some other approaches and possible solutions.

To help provide a framework for discussion, three position papers reflecting diverse political, social and economic points of view, as well as supplemental data from governmental and private sources, were sent to all delegates several months before the Conference with a request that, after reviewing and studying the material, they respond in writing to the data sent, or submit views of their own which could be discussed. These responses were collated and sent to all participants prior to the Conference, so delegates had the advantage of a preliminary exchange of views prior to the start of the actual meeting.

The Conference was held at Arden House on November 2-3, 1967. All costs relating to it were met by contributions from private foundations. No public funds were, or have been, used for either pre- or post-Conference activities. After 24 hours of plenary sessions and workshops, during which discussion was lively, informative, and the proposals made impressively varied, it became obvious that it would be difficult to arrive at any valid consensus without much further analysis of the comments made and the points of view expressed.

The Governor, therefore, asked 12 of the participants to serve as an ad hoc steering committee to review the data emanating from the Conference, as well as the information which preceded the meeting, and to make, if possible, some specific recommendations which could be conveyed to the group as a whole.

Initially, no firm time limit was set for the activities of the Committee, although the Governor asked its members to agree to serve for at least three and possibly up to four months.

Two subsequent developments have helped set a limit upon the Committee's activities:

1. President Johnson, on January 3, 1968, appointed a Commission on Income Maintenance with a specific charge to examine all possible forms of income maintenance proposals as one possible approach to the public welfare problem. The Ad Hoc Steering Committee welcomed this appointment because its own thinking was tending to move in the direction of recommending further study of income maintenance proposals, and it could turn over to the new Committee, headed by Ben W. Heineman of Chicago, its own findings and recommendations.
2. The Committee for Economic Development planned to devote its Public Policy Forum in May, 1968, to a discussion of public welfare, with the report of this Steering Committee as its agenda. It proposed the entire group which met at Arden House be reconvened and be joined by a large group of CED trustees and other business leaders. This would enable the Arden House discussion to continue under the auspices of a respected, viable organization whose membership comprised substantially the same kind of business leadership as was represented at Arden House.

In accepting the CED proposal, therefore, the responsibility of the Steering Committee will officially end with the submission of its report to that combined Arden House/CED meeting.

This report essentially reflects the views of the Steering Committee and is not binding upon anyone else. An effort has been made, however, to reflect the thinking of the Arden House conferees, and the Committee believes this report is an accurate reflection, noting, of course, that individual conferees may not fully subscribe to all of its conclusion and recommendations.

Special acknowledgement must be made to Hugh R. Jones, Chairman, and George F. Berlinger, Vice Chairman, of the New York State Board of Social Welfare, and to the competent staff of the State Welfare De-

partment headed by Commissioner George K. Wyman. The Committee is also indebted to the generosity of the various philanthropic foundations, noted elsewhere in this report, whose contributions made the Conference possible. It also wishes to acknowledge the efforts and contributions of the Conference staff, headed by Victor Weingarten, who was Conference Director.

For many of us, this close exposure to a national problem of such magnitude, which naturally has implications for the health of our economy but, more important, so vitally effects the lives and well being of a significant number of Americans, has been an educational as well as a stimulating experience and challenge.

The Committee feels itself privileged to have participated in all activities surrounding the Governor's Conference, including the additional deliberations which have resulted in these conclusions. As a group of industrialists, businessmen and private citizens, we feel honored to have been asked to formulate some policy recommendations concerning the problems of public welfare. We terminate our activities at this time humbled by the magnitude of the task, but wiser as a result of our participation. As a group, we are committed to the idea that the facts and figures as we have come to know them be made available to all Americans. We know that both our personal and social responsibilities have only just begun. Armed with comparable knowledge, we are convinced that the American public will join in the effort required to close the poverty gap of their 30-million fellow Americans.

We express our appreciation to the Governor, therefore, for this opportunity to participate in a consideration of this vital problem of our day.

JOSEPH C. WILSON
Chairman

highlights

1. The present system of public assistance does not work well. It covers only 8-million of the 30-million Americans living in poverty. It is demeaning, inefficient, inadequate, and has so many disincentives built into it that it encourages continued dependency.
2. It should be replaced with an income maintenance system, possibly a negative income tax, which would bring all 30-million Americans up to at least the official Federal poverty line. Such a system should contain strong incentives to work, try to contain regional cost of living differentials, and be administered by the Internal Revenue Service to provide greater administrative efficiency and effectiveness than now exists.
3. A system of uniform national standards for public welfare should be established to provide a Federal floor below which no state would be permitted to fall and no person would be expected to live.
4. Much more effective and intensive family planning information should be made available to all families on public assistance.
5. A systems approach to poverty and public welfare is worth exploring to see if it might yield some data or show some relationships which are not now known.
6. Solid research is virtually unknown in public welfare. Less than 1/10 of 1% of welfare funds are spent for that purpose. Rarely has so costly a program operated with so little knowledge. More research is urged in all aspects of the public assistance and public welfare programs.
7. Until a new system of income maintenance, after thorough study, is adopted, the present welfare system needs drastic and immediate reform. Among the major changes urged are:
 - a) The aged, blind and disabled, who constitute one-third the public assistance roll, should be transferred to Social Security.
 - b) The "man in the house" rule, still in effect in 28 States and the district of Columbia, should be abolished because it destroys family stability, encourages deceit and deception, costs more money to enforce than it is worth.
 - c) Incentives to work should be liberalized, and all possible steps, including "transition" allowances, should be taken to encourage the move from welfare to work.
 - d) A large expansion of day care facilities is vital to enable welfare mothers with pre-school aged children to work, if they can. These programs should be educational, as well as custodial.

e) An affidavit system to determine eligibility, with spot checks similar to those used by the Internal Revenue Service, should replace the costly, demeaning and inefficient investigations now used almost universally. This would free scarce staff to try to keep people off the assistance roll, instead of making certain they should stay on.

8. Staff turnover in public welfare departments averages close to 30 per cent a year with some states in excess of 40 per cent. This is evidence of crippling inefficiency. Of the 110,000 people employed in the field, less than 2,000 have a degree in social work or the equivalent. This professional group also has a job turnover in excess of 20 per cent a year. With this condition, there can be little effective casework or continuity between client and staff.

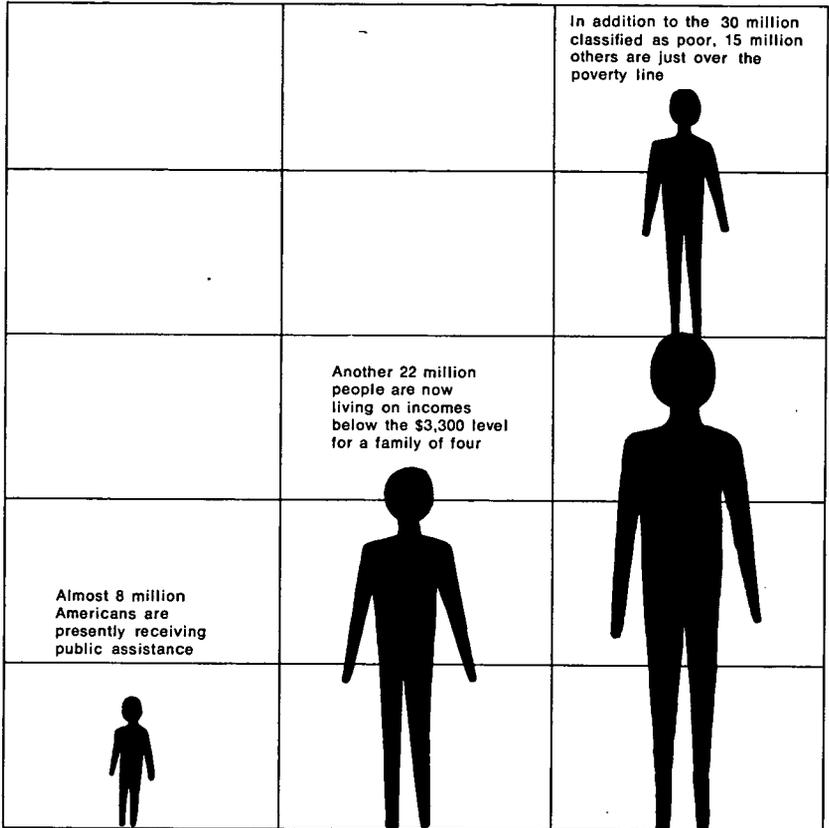
9. Improved health, education and housing are vital if the cycle of dependency is to be broken. Unless welfare recipients, and particularly the youngsters, are given the strengths, capabilities and resources to break that cycle, future generations will bear the high social and economic costs of this discrimination. Failure to act continues a trend toward polarization of the country into white and non-white communities—a type of apartheid by default.

10. Jobs and training for jobs are vital parts of any effort to reduce dependency on welfare. While the private sector can do much, and is now making a considerable effort to provide such jobs and training opportunities, Government, as a long-range goal, should pursue policies and actions leading to productive employment for all who can work.

11. The lack of legislative action on various proposals for obvious reform costs taxpayers huge sums, as well as prevent effective and efficient change.

12. Unless our country, including our northern cities, solves the problems of the slum areas, the nation stands in danger of being torn apart.

13. The Committee does not expect that its recommendations can be carried out without further analyses, studies, public awareness, experimentation and demonstration, but it urges that these not be used as excuses for inaction but rather that steps be taken as quickly as possible to implement these suggestions.



profile of poverty and welfare

Despite continued economic prosperity and relatively full employment, almost 8-million Americans are presently receiving public assistance. This number is increasing each year (In March, 1967, when invitations to the Arden House Conference were mailed, the number on public assistance was 7½ million. By October, seven months later, it had increased by almost 500,000).

Another 22-million people are now living on submarginal incomes below the \$3,300 poverty level established by the Federal Government for a family of four*. This number is decreasing slightly. (In March, 1967, 22½ million were in this category.)

Many of the 22-million who are not covered by present programs are in families which have a low wage earner or a wage earner whose family size is so large that his income is too small to meet a minimum standard.

In all, about 30-million Americans are currently classified as "poor" by official Government standards. Stated another way, about 15 per cent of the population are living below what is admittedly a minimum standard.

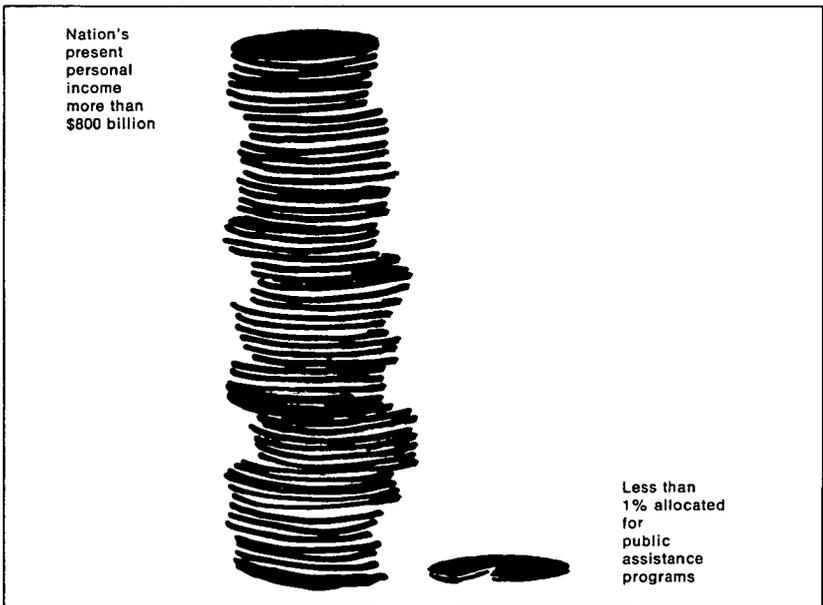
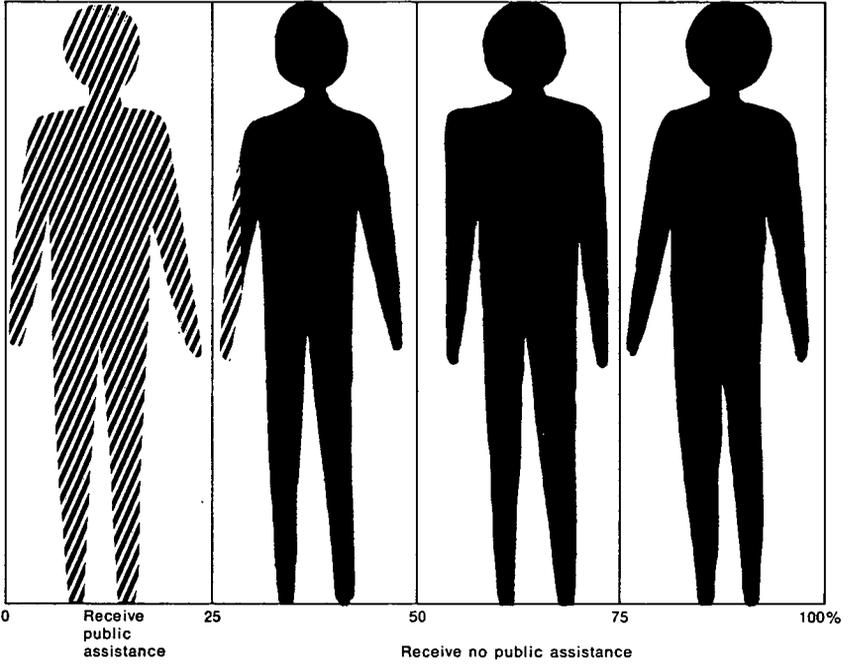
In addition, it is estimated that about 15-million others are "near poor" in that they hover just above the so-called poverty mark. The Arden House Conference was aware of this group, but its main responsibilities were directed toward the 30-million living below the poverty line.

Of all persons classified as "poor," slightly over one-fourth receive any public assistance. The remainder receive no public aid at all. A few may receive some financial support from private or voluntary charity.

The current combined costs of Federal, State and local public assistance programs is approaching \$8-billion. This sum, a record high, represents slightly less than 1 per cent of the nation's present personal income. Although the dollar amount continues to rise, the proportion has remained fairly constant for the past decade.

*The "poverty line" is fixed by the U.S. Government and is based largely on providing a total expenditure of 75c a day for all food, per person (in an average 4-person family), with twice this amount in addition for all family living items other than food. Except to allow for price increases, the poverty index has not been changed since 1959.

Persons Officially Classified as Poor



Of those receiving public assistance, most are too old, too young, too sick or too disabled to be self-supporting. The most recent figures supplied by the U.S. Department of Health, Education and Welfare, as of October, 1967 show:

More than 2-million persons, mostly women, are 65 or over. Their average age is 72.

More than 700,000 are totally blind or disabled.

Almost 4-million are children whose parents cannot support them.

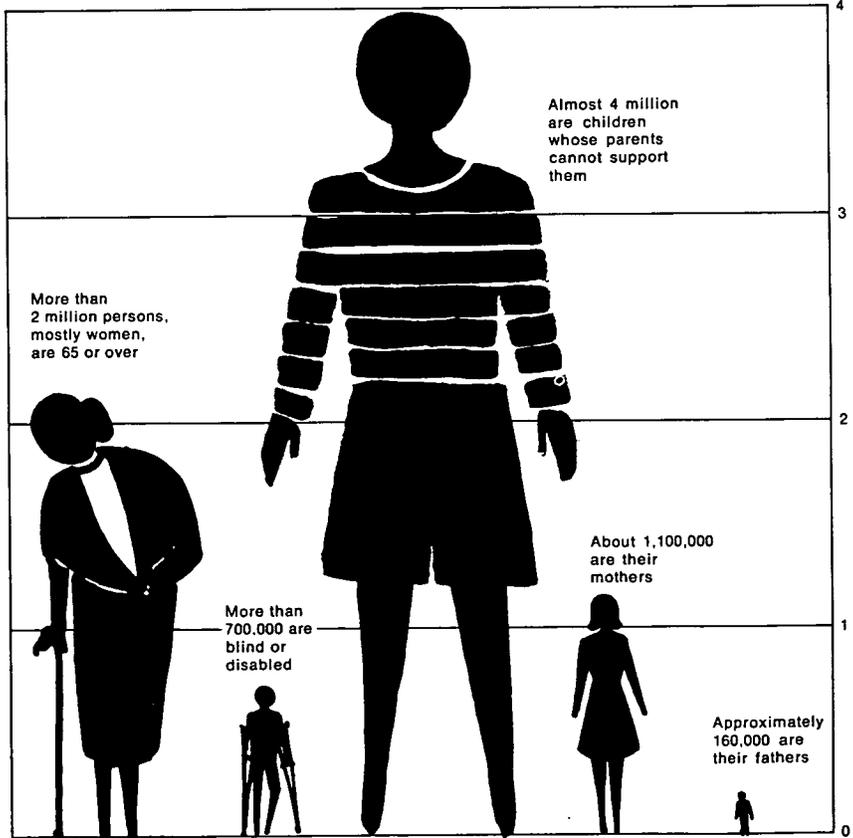
1,250,000 are the parents of those children.

About 1,100,000 are their mothers; approximately 160,000 are their fathers.

100,000 of the fathers are physically or mentally incapacitated and unable to work; about 60,000 are able-bodied, are capable of being trained or re-trained and can be made self-supporting. This 60,000 turns over every two years.

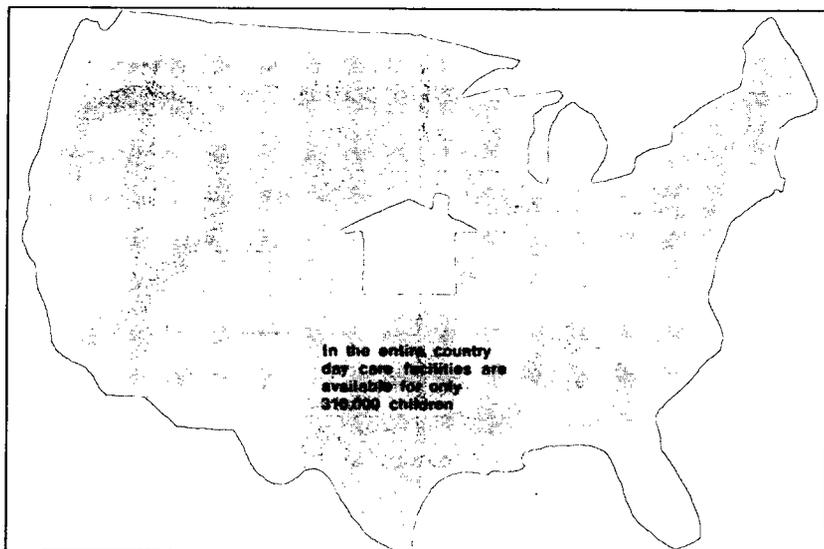
Of Those Receiving Public Assistance:

Millions



Of the 1.1-million mothers, it is estimated that about 300,000 have some skills or could become self-supporting with some training and could work outside their homes, if suitable facilities were available to care for their children.*

In the entire country, day care or family day care centers are available for only 310,000 children. Most of these are run by independent operators for profit. (The new Social Security law provides for a limited expansion of public day care facilities.)



Insofar as payments to recipients in all categories of public assistance are concerned:

Each state determines its own level of payments. Twenty-one states fail to take advantage of the availability of Federal funds for this purpose.

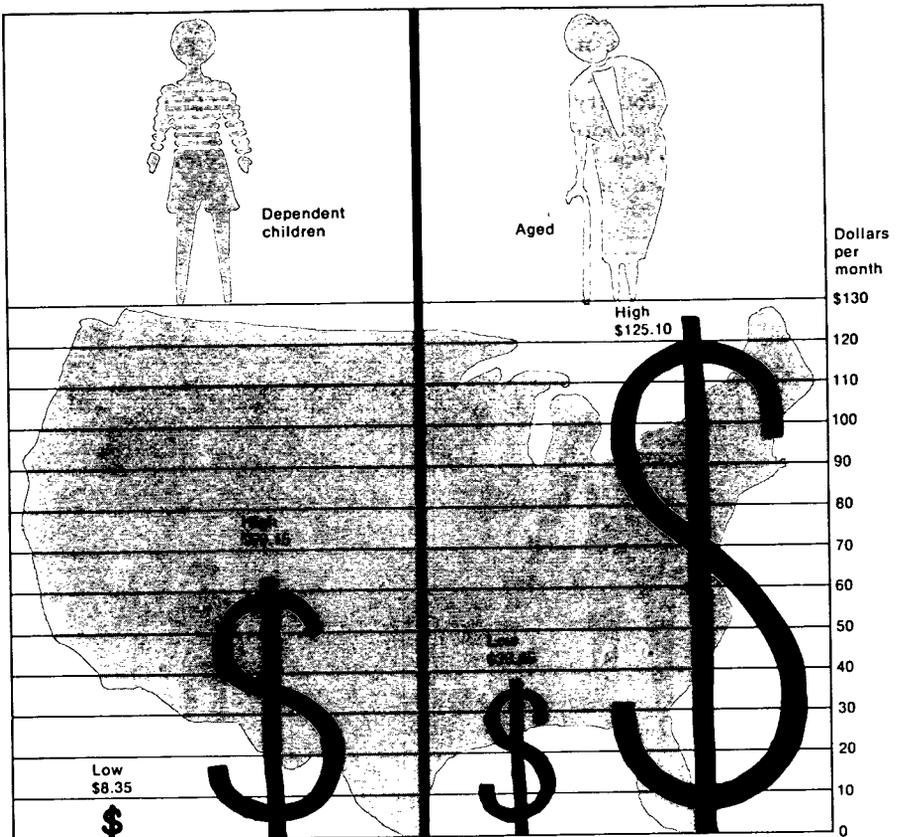
The greatest financial burdens fall on the most liberal states, i.e., California, Illinois, New York and Pennsylvania. Together, they account for almost half of the \$8-billion spent for public assistance.

The range of payments varies widely. For dependent children it goes from a low of \$8.35 per month in the lowest state to \$60.15 in the highest.

For the aged, payments range from \$38.65 per month to \$125.10. (The new Social Security legislation which mandates an eligibility freeze on dependent children programs, will reduce financial assistance to the children while providing for a 13 per cent average increase in Social

*A recent survey conducted by the City University in New York and reported in The New York Times, January 22, 1968, stated that nearly 70 per cent of a sampling of welfare mothers in New York City would prefer to work rather than stay at home.

Range of Public Assistance Payments

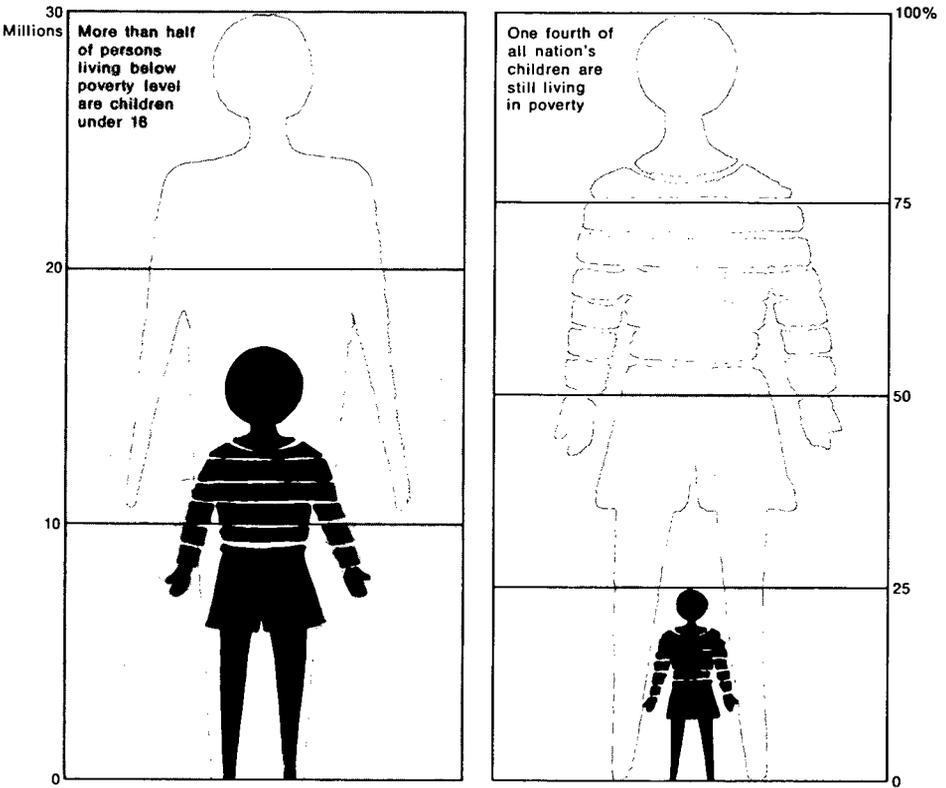


Security benefits for the aged. In many states, including New York, the aged receive no benefit from this increase because the additional sum is deducted from their welfare payment, leaving their net income unchanged.)

Most aged persons receiving public assistance are on the rolls because they never qualified for Social Security benefits or because the benefits they receive under Social Security are too low to provide an acceptable minimum standard of living in the State in which they reside.

Forty states have eligibility requirements of one year's residence before providing assistance and, for some specific programs, require five years residence.*

*Several Federal courts to which the issue has been submitted have recently held durational residence requirements to be unconstitutional.



Of the 30-million persons living below the so-called poverty level, more than half are children under 18. The Social Security Administration reported in October, 1967 that even after a most continuous period of prosperity and steadily rising income, one-fourth of *all* the nation's children are still living in poverty or are in families classified as "near poor,"—hovering just above the poverty line.

Other factors comprising the poverty profile are:

From 1940-1966 the recipient rate for dependent children under 18 rose from 22 per 1,000 population to 48 per 1,000.

For youth reaching 18, approximately one white child in 10 and six non-white children in 10 had at some time been supported by public assistance.

Approximately 80 per cent of children on public assistance live in homes without fathers. Although Federal legislation now permits the presence of "a man in the house" in determining a family's eligibility for welfare, 28 states and the District of Columbia still deny such aid if there is "a man in the house." In those states, many fathers, unable to find employment, abandon their families in order to have them qualify for public assistance.

summary of major findings and recommendations

The responsibility of this Steering Committee, having examined the available data, was to try to advance some proposals which are more clearly able to meet both the best interests of those in need and the public interest as well.

In arriving at its recommendations the Committee was guided by the principal conclusions drawn from the Arden House materials, workshop discussions, and all supporting data. Its major findings and recommendations follow:

1. THE PRESENT SYSTEM OF PUBLIC ASSISTANCE DOES NOT WORK

Public assistance fails to reach three-quarters of those in need and delivers inadequate sums and inefficient services—on an uneven basis—to the remaining one-fourth.

The present system is demeaning. It frequently violates privacy through regular searches of recipients' homes. It has so many disincentives built into it that it encourages continued dependency on welfare. It is virtually impossible for recipients to determine what rights they have and to what assistance they are entitled.

The vast majority covered by public assistance are either too young, too old, too sick or too disabled to be self-supporting. Only a small proportion of the adults can be helped to be self-supporting. Lack of clear understanding of the composition of this group leads to frequent misunderstanding and proposals to force the "loafers" off the rolls. Deeply-rooted myth and misconception are a frequent basis for these moves.

Without adequate awareness about the composition of the public assistance rolls, expectations for such new programs as "work aid," now under consideration, will be disappointing because only a small percentage of those receiving welfare payments can participate or benefit from them.

The Committee found little in the past record of amendments and so-called legislative reform to justify any high hopes or promise that the present public assistance system will be substantially improved. Basically poor programs are not improved with overlays. It is doubtful that more tinkering will evolve a more satisfactory program.

2. INCOME MAINTENANCE

The fact that public assistance helps only one-fourth of those living below an acceptable standard, apart from its other deficiencies, caused attention to be paid to other possible approaches to poverty. Included in these discussions were a variety of proposals for income maintenance, with family or children's allowances, negative income taxes, guaranteed annual wage and other possibilities figuring prominently in those discussions.

The Committee believes that the public interest would be served if a practical system of income maintenance could be devised which would replace the present system of welfare payments and would provide some benefits to all of the 30-million below the poverty line, instead of only the 8-million now on the welfare rolls. Provision should also be made for social services to those in special need of them.

There was strong agreement that such a system should contain incentives to work, be closely tied to the Internal Revenue System to provide greater administrative efficiency and effectiveness than now exists, and should try to contain regional cost of living differentials.

Of the two major proposals discussed, the Steering Committee leans toward a negative income tax rather than a family or children's allowance assuming that more research, analyses and experimentation indicates its soundness. Under a negative income tax, all of the funds paid out would go to those families or individuals in greatest need. Under a universal family or children's allowance system, about 70 to 80 per cent of the funds would go to the families who need it least, with the government then recouping its money through the tax system. This is a costly way to deliver funds to the group that needs it most. Other weaknesses noted in the family allowance system, as proposed at Arden House, are that no provision is made for individuals or couples without children who are in need; the payments proposed would be inadequate as an anti-poverty measure, and the infusion of a work-incentive principle would be difficult.

Under a payment system such as a negative income tax, in place of the present public assistance program, the Federal Government would assume the major financial obligations and the responsibility of the States and local governments would be largely to provide the supporting services which will be required no matter what kind of system is adopted. Such services would include social work counselling, home maker services, family planning, etc.

A negative income tax would automatically achieve two sought but heretofore unattainable goals—need as the basis for financial assistance, and a uniform national minimum standard.

The Steering Committee believes that the nation is now at a stage in its history when it can afford to give serious consideration to such a plan which would raise all 30-million Americans to at least the poverty level. We recognize the need, however, to reexamine the country's financial resources and priorities if we are to add expenditures of the magnitude that appear necessary.

Economists appear to agree that the poverty gap in the United States today is about \$11-billion.* We now spend about \$8-billion to give inadequate assistance to 8-million people. For about \$11-billion more, we can lift all 30-million Americans to the poverty threshold.

This is an exciting and exhilarating challenge and the new Commission on Income Maintenance appointed by President Johnson has been given that assignment. This Steering Committee applauds and welcomes its appointment. It offers its full cooperation to the new Commission. The proposed types, varieties and forms of income maintenance are many, and they deserve careful study and scrutiny. It is the direction which this Committee believes must be taken.

The Steering Committee watches with interest the experiment with a negative income tax now under way with 1,000 families in New Jersey under the auspices of the University of Wisconsin and funded by the Office of Economic Opportunity. It would look with favor upon additional experimentation with a variety of forms of income maintenance before enactment of any such major program.

The Committee further recommends that the Congress consider passing legislation which would enable those states which wish to experiment with various income maintenance proposals to do so. It would hope that New York State, under whose auspices the Arden House meeting was convened, would implement such enabling legislation as quickly as possible.

Parenthetically, the Committee would point out that the more successful the nation is in providing jobs and employment opportunities to those now unemployed or underemployed, the smaller will be the financial commitment it must make for income maintenance.

Finally, the Committee notes that while it leans in the direction of a negative income tax, it recognizes that any income maintenance program must be carefully evolved and tested because most programs it is criticizing in this report were sold as being ideal and good at some stage in our history. The Committee is less concerned at this time with the kind of income maintenance that is finally evolved than it is with the acceptance, as a national goal, of the objective that basic economic support, at the poverty level, at least, be assured all our people.

3. NATIONAL STANDARDS

The Arden House conferees believe serious consideration should be given to the inequalities that exist throughout the country because no

*The U.S. Department of Health, Education and Welfare, Central Population Survey, estimated on March 1, 1968, that the poverty gap is about \$10.8-billion.

effective Federal standards governing public assistance are in existence. Each state promulgates its own rules and regulations, with the result that the welfare system really comprises 50 different programs.

The range of benefits, payments and practices is extreme. More than 20 states still do not accept all of the Federal funds available to help needy families because of their reluctance or inability to appropriate matching funds.

The result is a "crazy quilt" pattern that discriminates against the poor in many states and imposes a greater burden on more liberal states.

Various commissions have recommended the adoption of uniform national standards for welfare which, in effect, would establish a Federal floor below which no state would be permitted to fall and no person would be expected to live. *The Committee endorses such a step in principle.* A uniform system, possibly adjusted to take into account regional differentials in living costs, would be more effective and efficient than the present system. (One method to implement such a concept is contained in the report of the Advisory Council on Public Welfare entitled, "Having the Power, We Have the Duty," June 1966, which was made available to all Arden House conferees.)

Under such a system, the Federal Government would guarantee the minimum, with the states supplying the overlay, based upon per capita and other considerations. Such a minimum is implicit in the negative income tax.

4. FAMILY PLANNING

There was wide agreement at Arden House that more intensive and effective family planning information should be made as available to families on public assistance as it is to others. An increased effort in this direction is mandated in the new Federal legislation, which appropriated an initial \$15-million for this purpose, and is welcomed by the Steering Committee.

But since family planning must be part of comprehensive social service, these Federal funds are not enough to take care of our population problems despite the decrease in the national birth rate. In some of the slum neighborhoods of the country, the birth rate is higher than those of India and Pakistan. Children born in these areas are often premature, weak, sickly and die before they are a year old.

The evidence presented at Arden House showed clearly that poor families tend to have more children—thus raising family needs without a commensurate increase in family income. Half of the poor children were in families with five or more children.

5. SYSTEMS APPROACH TO POVERTY AND PUBLIC WELFARE

Threaded throughout all of the data submitted to the Arden House conferees was the admission by the professionals and other experts in the field that, in many areas, they were "flying blind;" that there was a

paucity of sound research affecting vital parts of the poverty picture and welfare problems. In fact, evidence indicates that less than one-tenth of one per cent of the welfare dollar was spent for research. Such parsimony is short-sighted considering the magnitude of the problem and the many areas relating to it about which too little is known.

The number, complexity and interrelatedness of social welfare problems calls for a substantial research and analytical effort with three aims:

1. To identify problems precisely
2. To develop and evaluate alternative approaches to these problems consistent with objectives
3. To monitor existing programs to insure that both successes and failures in accomplishing program goals are reflected directly in changes in the level or design of these programs

Systems analysis is a method for dealing with large scale problems and has been applied for some time in the Department of Defense, other Government agencies and private industry.

The Steering Committee is indebted to one of its members, Arjay Miller, vice-chairman of the Board, Ford Motor Company, who has taken the initiative to work out, with his staff, a rough schematic which indicates that a systems approach to the problem of poverty and public welfare might yield some data, or show some relationships which have not heretofore been easily available.

The "first stage" schematic, incomplete and unrefined as it is, is enclosed in this report as an appendix because it suggests a possible approach to the problem.

It was not within the purview of this Committee to pursue this approach, but it strongly recommends to Government and philanthropy that the idea bears great merit and deserves careful consideration and investigation.

6. REFORM OF PRESENT WELFARE LAWS

While the Steering Committee recommends that the present system of public assistance be replaced with an income maintenance system, it recognizes that until such legislation is enacted, the present system is in need of major reform.

Insofar as "reform" of the present program is concerned, a review of the record indicates that many sound proposals from competent and knowledgeable groups have largely gone unheeded. The most recent official group proposing major reform was the Advisory Council on Public Welfare, appointed at the direction of the Congress by the U.S. Secretary of Health, Education and Welfare. On the basis of sound business and management judgment, as well as sound public policy, it would appear that taxpayer funds are being wasted by the lack of legislative action on various thoughtful and well-designed proposals for obvious reform. We believe attention should be paid to certain costly fundamental deficiencies. Among them are:

a. Transfer of Aged, Blind and Disabled to Social Security

The aged, blind and disabled comprise one-third the public assistance roll. This group will never be less aged, blind or disabled, yet \$238-million a year of public funds are spent to administer this portion of the program, much of the funds being used to determine and check eligibility. In New York City alone, it was reported, more than 2,250 persons are employed at this task at an annual cost of \$15-million a year.

We believe the administration of this entire category might be transferred to the Social Security System, with payments made automatically at far less administrative cost. The financing of these payments would, of course, be separate from the financing of the Social Security System itself. While the intent is not to save funds on payments, because the sums allocated by most states are already too low, the administrative savings and increase in bureaucratic efficiency would be marked. It deserves serious study.

b. "Man in the House" Rule

Continuation of the "man in the house" rule by 28 states and the District of Columbia adversely affects family stability, encourages deceit and deception, and in the long run costs the public far more in terms of money and social problems than it is worth. In practice, the policy is destructive of family life. We recommend the rule be abolished.

c. Incentive to Work

Until the new welfare legislation went into effect January 3, there was no incentive to work as part of the assistance structure. In practice, the *disincentives* were an integral part of the system. The Committee welcomes, as a start, the new law that permits a welfare recipient to retain the first \$30 a month and 30 per cent of the remainder of his earnings, even though it believes the \$30 is too low to do the job.* It hopes the effect of this will be watched closely, and the amount liberalized if the evidence warrants it. We believe an incentive to work is a vital dimension and encourage all such moves. Based upon other data examined, we believe welfare administrators should err on the side of liberality to encourage all who can to experiment with work, without fear of suffering economic hardship during the transition from welfare to work. Testimony from the poor indicates that the backlog of deprivation frequently requires partial assistance for more adequate clothing, furnishings and housing during the transition process than is presently allowed. Regulations which dilute the incentive to work should be reviewed. If necessary, a "transition" grant should be available to recipients to encourage them to seek employment without being penalized.

*New York City, on a demonstration basis, reports excellent results with an incentive closer to the model developed by the Office of Economic Opportunity, by allowing an exemption of \$85 a month and 30 per cent of the balance earned. More than 1,200 welfare recipients, some of whom have not worked for more than five years, have obtained employment since this incentive program began September 1, 1967.

d. Expansion of Day Care

A large expansion of day care facilities is necessary to enable those mothers with young children to work outside their homes, if they can. The Committee is pleased that the new welfare legislation makes provision for expansion of this hitherto limited program. In welcoming it, the Committee is also cognizant of the fact that not all mothers should work outside their home, and that not all children should be in day care. The expansion, however, is vitally needed and desirable, and the new facilities might, in part, be staffed by trained women on assistance, thereby further reducing the welfare rolls.

The Committee believes that day care should be viewed not as a custodial and baby sitting agency but as an educational and cultural program, and that positive fruits of research in early childhood education should be applied in these facilities so that, in effect, they become early year-round "Head Start" programs.

e. Abolition of "Mandatory Verification"

Evidence that "red tape" strangles efficient operation is great. The Committee believes that given the enormous staff turnover, high cost of administration, poor and uneven quality of social services, that substitution of an "affidavit" system to determine eligibility, rather than requiring individual verification in each case, would be more desirable and, in the long run, promote greater efficiency and even economy. In addition, it is less degrading and demeaning to the applicant. Such a system, with spot checks used in a fashion similar to the Internal Revenue Service, would free staff to spend their time as counsellors and helpers rather than investigators. The public interest would be as well, and possibly better served, if more time were spent helping people on assistance get off the rolls, rather than in investigating them to make certain they should remain on assistance. Experimentation in New York City in two centers has shown a creditably low level of ineligibility using the affidavit approach.

The affidavit system is used to determine eligibility for the medical assistance program in New York State with a random sampling of not more than 5 per cent of the cases selected for investigation and verification. This method has proved successful in determining the eligibility for more than 2½ million persons under this program. Based upon this experience, the New York State Department of Social Services is planning expansion of the method to part or all of the public assistance program throughout New York State.

7. ADMINISTRATIVE CHANGES

By any standard of sound management practice, the administration of the public welfare program is almost hopelessly inefficient. More than 110,000 persons are employed in the public welfare program, of whom more than 80,000 are in the Federally-aided assistance programs. The annual turnover averages close to 30 per cent, with some states in excess

of 40 per cent. This turnover itself is evidence of crippling inefficiency. With this condition, there can be little effective casework or continuity between client and staff. It is noted that lack of job satisfaction is given as one of the key reasons for leaving.

It is also worth noting that of the 110,000, less than 2,000 have a degree in social work or the equivalent, and are mostly in administrative positions. This professional group also has a job turnover in excess of 20 per cent a year. In addition, the ratio of professionally trained personnel available for those needing skilled rehabilitative services is so abysmally low as to constitute a pretense of a social services program.

An expansion of cooperation between voluntary and government agencies could do much to close this gap.

The shift of the aged, disabled and blind to Social Security will ease the demand for social workers and permit the reintroduction of professionalism. An ultimate shift to a negative income tax or a similar form of income maintenance would provide still more opportunity to strengthen the social work aspect of the program.

8. PRIORITIES FOR CHILDREN

The conferees felt, and the Steering Committee agreed, that special considerations and priorities should be given the children in welfare families, as well as those in the poverty and near-poverty families, so that they could be helped to break out of the cycle of dependency and ultimately take their place in our society as productive citizens.

Such considerations must include far more effective programs providing better education and educational opportunities, increased and improved health care, and better housing than now exists for them.

Unless special emphasis is placed on health, education and housing for these youngsters, it is doubtful that they will have the strengths, resources or capabilities of breaking out of the poverty cycle. The high social and economic cost of continued ineffectiveness and inaction in this area will be borne by coming generations. To this equation must also be added the factor of racial discrimination which has taken its toll not only of non-white children and adults who are the victims of it, but of the general population who bear the financial, social and moral responsibility for it. There was acceptance at Arden House of the statement that unless our country, including our Northern cities, solve the problems of the slum areas, the nation stands in danger of being torn apart or permanently divided into white and non-white communities—a type of apartheid by default.

9. JOBS AND JOB TRAINING

The Committee agrees that industry can and should play an important role in helping to provide jobs and job training opportunities for youngsters old enough to work, and for all adults able to work. It welcomes the appointment by President Johnson of a national organization of leading

businessmen, headed by Henry Ford II, through which industry and government will cooperate.

In its own deliberations, the Committee made the following proposals for job training and job creation:

- a. Stepped-up job recruitment and training in slum areas.
- b. Radical revision of testing procedures and hiring standards, with greater awareness of historic, cultural and educational deficiencies in relation to normal application forms and personnel practices.
- c. Establishment of job preparation centers in slums to provide counseling, literacy training, skill training, work testing and motivation.
- d. Expansion of programs to provide funds to small businesses in ghetto areas for on-the-job training.
- e. Provision of training, with built-in opportunities for advancement and promotion to higher wage levels, in such service occupations as restaurant worker, nurse's aide, hospital attendant, repairman, etc.
- f. Increased training for skilled jobs where shortages exist today.
- g. More adequate transportation in order to help slum-dwellers to reach jobs in outside areas. This problem was seen as particularly acute in many places, such as Southern California, Long Island, and other parts of the country where public transportation is both scarce and costly.

Some of the above could be implemented in the following ways:

1. Encouragement of business in slum neighborhoods, if possible, through existing organizations of the private, public and governmental sectors which are already working in these areas.
2. Tax incentives, insurance off-sets, and other subsidies to aid business investment.
3. Government assumption of responsibility for some training programs through cost plus or fixed price arrangements.
4. A Domestic Development Bank, modeled after the World Bank. Such a new institution would replace the Small Business Administration, which does some of this work, but has lacked adequate funds and strength to make its performance effective.
5. A Human Investment Act to expand tax credit for job training.

It was generally recognized that while the Federal Government was making an increased financial commitment in the area of work and work training (more than \$2-billion has been appropriated for such programs in fiscal 1968), the backlog of need was so great that such programs would probably have to be expanded substantially. In addition, companies which had already had some experience in trying to provide jobs for heretofore unemployed, untrained, uneducated young people, were encountering poor motivation and work habits that were requiring special skills in successfully meeting such problems.

While it was apparent that much more was being attempted by the private sector than was commonly realized, it was acknowledged that the problem was massive, required more than good-will and high motivation by management, and that effective support from Government, particularly insofar as the un-economic aspects of job training are concerned, was necessary.

The general consensus, however, was that industry, with labor's cooperation and participation, could and should play an aggressive and vital role in accepting a major degree of responsibility in this area.

It is important that restrictions on entry to an occupation be eliminated or reduced wherever they exist, to provide as much opportunity as possible for poor people to obtain better jobs through their own efforts.

The Committee also believes that as a long range goal, Government should pursue policies and actions leading to productive employment for all who can work.

additional comments and suggestions

Each participant in the Arden House Conference was asked to respond in writing to the position papers and other data they received prior to the Conference. Their response included comments about the information sent, as well as views of their own.

Almost 75 per cent of the participants made such responses. Without exception, their contributions were thoughtful, provocative, interesting and, in some instances, opened new areas for discussion which went far beyond those contained in their earlier "homework." The comments were summarized, collated and recirculated to the conferees in advance of the Arden House meeting so that each delegate had the benefit of everyone else's point of view.

It would be impossible to impart the spirit or flavor of these comments, nor can justice be done to them in a brief summary. Neither can a written report capture the discussions in the various workshops and plenary sessions. Nevertheless, the Steering Committee believes that some of the Arden House highlights not embodied in the "Summary and Recommendations" deserve circulation and subsequent discussion.

Many participants stressed the need for more research, admitted that the more they learned, the less sure they were of possible solutions for many of the problems presented. The more they explored the field, they said, the more they saw how limited their knowledge was. This limitation, they felt, also applied in some measure to the data provided by "experts."

Evidence presented to the Steering Committee indicated that less than one-tenth of 1 per cent of the public welfare expenditure is devoted to research. This is an appallingly low percentage considering how very little is known about so many vital aspects of so important a problem. The Committee feels that a far greater research expenditure would be warranted in virtually all aspects of the assistance program. It therefore believes that far more experimentation and innovation would be useful to determine whether particular changes are practical, and even when found to be practical, could be improved as a result of experimentation.

An aspect of the welfare problem that emerged was the plight of the 19-million children living in poverty or near poverty. Providing hope and opportunity and translating this into concrete, attainable programs for children was proposed as an area of high priority.

Opinion was unanimous that special efforts must be made by Government and industry alike to help end the conditions of dependency and despair that seem to lead to perpetuation of poverty from one generation to another.

Additional suggestions for dealing with this and other problems included the following:

1. EDUCATION

There was agreement at Arden House that improving educational opportunities, as well as the quality of education for deprived children, was an essential step if they were to be helped to break out of the cycle of dependency. While this subject was not a major topic at Arden House, the need for paying attention to it was stressed in many of the delegates' written statements, and it was a *sine qua non* in many of the workshops.

Three main proposals were suggested:

A. That day care centers be linked with Head Start programs and that efforts be made to apply the techniques of early childhood education to pre-school aged youngsters in such facilities.

B. Vocational schools in all sizable cities should offer a two-year accredited course as part of a cooperative effort between business and education with the curriculum geared to the needs of business within that community to give reasonable assurance that youngsters would be trained for jobs that exist, and upon graduation could be absorbed into the local labor force.

C. Initiation of a Federal master plan which would seek to establish minimum national standards of achievement in education.

2. HOUSING

There was general recognition that poor housing, as well as discrimination in housing, played an important role in perpetuating poverty and dependency, in creating problems of motivation and in a variety of other areas that tended to minimize the chance of a slum resident's becoming self-supporting. Most of the suggestions for improving the conditions of the poor, insofar as housing is concerned, were related to industry's own know-how and experience. Some of these suggestions included:

A. Business become a participant in the construction and ownership of housing for the low income groups.

B. Industry receive incentives to relocate in poor neighborhoods and that such incentives include land written down to a reasonable reuse value, low interest, long term loans and intensive utilization of land in cities through multi-story plans or in multi-purpose buildings which would provide space for business with housing above.

summaries of position papers and related data

To help define problems that would be discussed at the Conference, all participants received three position papers prepared specifically for the Conference, which set forth diverse political, social and economic points of view. In addition, a variety of other materials to help delegates have a clearer view of the welfare picture and problem were also distributed.

The three position papers were written by Dr. Daniel P. Moynihan, Director, Joint Center for Urban Studies (M.I.T. and Harvard); Leland Hazard, Consultant, Pittsburgh Plate Glass Company, and Dr. Eveline Burns, Columbia University School of Social Work.

The full text of these papers and major related data have been published and are available from the New York State Department of Social Services, 112 State Street, Albany, N. Y. 12201.

Daniel P. Moynihan, titled his position paper, *The Crisis in Welfare*. He stated that the promise that economic expansion would end poverty had been cruel to the poor who believed it. He pointed to the rising incidence of dependency in the United States and the fact that there was a decline in the number and rate of recipients for almost all welfare programs except Aid to Families with Dependent Children. He expressed the belief that public officials found it more expedient to accept deficiencies in the existing welfare structure rather than enact fundamental changes in economic organization which are required for a real solution to the problem. In his opinion, such fundamental changes would include:

1. An end to structural unemployment and the achievement of low levels of cyclical unemployment.
2. Universal coverage for all social insurance programs, universal minimum wage standards, a nationwide system of disability insurance, etc.
3. Enforcement of national minimum standards of social and educational services.

4. Income supplements for workers with families and others.

In his analysis, Mr. Moynihan said that until very recently political leaders have mostly avoided any serious involvement with the problem of welfare, leaving it to the professionals. The facts that the bankrupt system of southern agriculture has forced rural Negroes into the cities and that AFDC, once a widow's program, is today in many respects a Negro problem and that the stability of family life among the poor, particularly the urban Negro poor, has become undermined, have recently tended to make welfare political. These national trends have afforded conservative leaders an opportunity to exploit the negative issues and anti-Negro sentiment on the one hand, while militant civil rights activists have also raised some of the same issues and are attempting to transfer welfare recipients into powerful interest groups and a party to negotiations. He pointed out that most proposals now being made for improving the welfare system will enlarge it and that there is a conflict between helping people and keeping costs down.

In his opinion, two approaches to the welfare problem deserve special attention: first—the establishment of *need* as the sole criteria for assistance provided in the context of national minimum levels; second—the provision of benefits as a matter of *right*—thus ending harrassment and humiliation to welfare recipients.

“The question for public policy,” he stated, “is how to set in motion forces that will gradually diminish the size of the population which needs public assistance.”

“The heart of the issue is dependent children from broken families,” he concluded from the latest national figures.

Mr. Moynihan believed that what is now required is a system of income equalization and proposed the initiation of a family allowance. He pointed out that the United States is the only industrial democracy in the world without such a system, and is also the only industrial democracy with such a large welfare population in our cities.

Under a family allowance system, systematic payments are made to all families with dependent children for the primary purposes of promoting children's welfare. The advantages of such a system include:

1. Automatic payments requiring no means test nor a great bureaucracy, thereby maintaining low administrative costs.
2. Increased income to families whose income ranges from \$5,000 to \$8,000, who have been left out of recent government programs, and to large families with low incomes.

He proposed providing \$8 a month for each child under 6 and \$12 a month for those between 6 and 17. For an average worker in private industry with two teenage children, such a family allowance would increase the family increment in take-home pay from \$384 to \$672, and for a family with four such children the take-home pay would be increased to \$960. Families with much larger incomes, who would also receive such a family allowance, would pay much of it back in income taxes.

He estimated the cost of such a program to be in the neighborhood of \$9-billion, a sum that could be raised by applying an increment of the annual increase in Federal revenues of \$3-billion over a period of three years. He felt that such a system would relieve the strains on family life that occur when mothers go to work to supplement the inadequate earnings of fathers and discounted the proposition that a family allowance would increase the birth rate of the poorer section of the population. He cited the fact that during the past two decades when Canada had a family allowance, the Canadian and American birth rates rose and fell together with apparently no "family allowance" effect whatsoever.

Lastly, Mr. Moynihan endorsed the establishment of national standards for welfare payments under the Social Security Act and called for research in two general areas:

1. Longitudinal studies of poverty populations to determine what factors lead in and out of welfare dependency.
2. Determination of methods of providing genuine help to those in deep poverty.

Leland Hazard called his paper *Welfare, Social Work and Business in Transition*.^{*} In his opinion, poverty was relative and would never be totally eliminated. The differential could be lessened by bringing the poor into the mainstream of the work force, but not by money payments to them. He stated that family allowances caused inflation by handing out money for neither goods nor services, and that in other countries they were used as a means of increasing the population. Nor did he endorse the negative income tax or other such schemes which he felt would produce an inflationary impact forcing the economy level to run faster to maintain an existing level of poverty.

To Mr. Hazard, America is not affluent in terms of all of her aspirations, and he cited the estimate given by the National Planning Association which stated that by 1977 the collective costs of America's goals would outrun the economy's capacity to produce by an estimated \$150-billion. Stating that the principle of force is necessary to social order, it was his opinion that America's "doves" concede limitations on the military but not on the ghetto front.

Mr. Hazard felt that social welfare needed the disciplines of industrial management in addition to social work and politics. Accordingly, he proposed the formation of a Council of Business for Social Welfare comprised of many top companies and financed by its members on the basis of each company's relative ability to pay. Such a Council should have a life of five years with an annual budget of \$2.5 million.

The Council would assemble information on the latest trends in social work philosophy and techniques, including those in other countries, and

^{*}Subsequently condensed and printed in Harvard Business Review, January-February 1968 under the title "Business Must Put Up."

disseminate it through business channels; appraise social work programs and techniques within the context of management principles bearing upon allocation of scarce resources and make reports to interested agencies; design research as indicated above to be "farmed" out with grants to well qualified organizations; and issue policy statements based on gained knowledge concerning programs deemed least or most promising for alleviating the conditions of the poor.

In *The Future Course of Public Welfare*, Eveline M. Burns, Ph.D., momentarily turned to the past by outlining programs developed by the Social Security Act passed in 1935 which brought the Federal Government into the welfare picture and developed public welfare agencies throughout the nation whose functions then and now cover a wide gamut of services.

In her paper, Dr. Burns indicated that despite increasing affluence, reduced unemployment and more programs designed to provide jobs for the needy, costs have risen and so have criticisms of public welfare programs. Such criticisms include the following:

- Questions whether social welfare programs designed for the needy really benefit them.
- The fact that current programs serve too few genuinely needy people (only about one-fourth of the present poverty group).
- The fact that too much is spent on direct payments to the needy, too little on constructive social services.

Dr. Burns felt that the obstacles to be overcome in formulating new policies were formidable and the directions these take difficult to forecast. Possible new policies included:

- A further expansion of the Social Security system which still does not support all the people it could or should, including increased payments to assure adequate income.
- The guaranteed annual income or the negative income tax, both of which would be more costly than present welfare payments since either would be available to people who presently seek to avoid the stigma of welfare, and because nationally established minimum payments would be higher than payments now made in many states.
- The demogrant or status payment, such as a children's allowance.

But despite such income maintenance systems, the public welfare system would still have to perform a residual relief function for a variety of emergencies.

Regardless of whether any of these were to be adopted, Dr. Burns believed that policy decisions still remained relating to the point at which society accepts responsibility for supporting the needy. These included:

- A definition of the minimum acceptable standard of living below which no one should be allowed to fall.
- The private resources which the individual is expected to exhaust before claiming aid from the community.
- The behavioral standards to which the public aid recipient is expected to conform.

Dr. Burns made a strong case against the inequities and inadequacies of present policies which, in addition to being complicated to administer, are degrading to the recipient. She felt that any public welfare maintenance system should include:

- Some standard allowance for everyone whose income is below a certain level.
- A social policy which would endeavor to identify certain types of commonly experienced special need for which stated payments could automatically be made.
- Payments meeting the suggested poverty level which could provide a differential in regional cost of living but would eliminate present illogical discrepancies among the states.

In opting for reform, which Dr. Burns did throughout her paper, she raised the question of what service functions public welfare should be responsible for. The answer to this question depended on:

- The extent to which such services could be reduced by assurance of an adequate income.
- The effectiveness and appropriateness of needs to services.
- To the extent that they are needed and effective, should they be operated by public welfare, other public agencies or a single agency?
- Should public assistance payments and social service programs be administered by one department? Or would it be sound to have a separate department whose primary function would be consultation, referral and direct provision of social casework services?

The fact that Government had taken an increasing responsibility for financing public welfare programs aroused a conflict of opinion. These ranged from those who argue that the Federal Government should expand, set a national minimum standard and propose a new method of financing it—to those who contend that the Federal Government is already too influential and interfering.

In her opinion, the future role of the volunteer agency also merited considerable study. She offered the possibility that in the future the private agency might come to concentrate on the provision of services to those to whom the public welfare agency had no responsibility. She also raised the question as to what extent the administration of public welfare programs should be in the hands of social workers for whom social welfare is a profession. Some critics of the present system advocate citizen boards directly involved in administration, particularly at local levels; others a more impersonal bureaucratic expert administration by social workers and trained aides.

For too long, policies have been made on the basis of beliefs about facts rather than on tested knowledge. She pointed out that no forward-looking businessman would be content to operate even a much smaller enterprise while remaining in the dark as to the effectiveness of his policies. More knowledge is needed on the causes of dependency, the nature and behaviour of the dependent population, of motivation and of the effectiveness of various policies.

Regardless of tested knowledge, the future course of welfare programs will be influenced by some of the following values:

- The extent to which people with jobs will be willing to sacrifice income—either through higher taxes or lower pay increments—so that assistance payments may be higher.
- The extent to which people with jobs will be willing to grant equal rights to people on welfare.
- The prevailing views as to the responsibilities which the community could demand from those who are supported by public funds.
- Society's tolerance of abuse and incentive.
- The strength of the feeling of national unity both geographically and among ethnic groups.
- The extent to which social and economic developments create a need for social services.
- The extent to which the public develops an intelligent and informed interest in policy formation.

Brief summaries of some of the other material sent in advance of the Conference follow:

REPORT OF THE ADVISORY COUNCIL ON PUBLIC WELFARE

—The Council, a twelve-man group, appointed under a Congressional directive to review the administration of Federal public assistance and child welfare programs, after hearing testimony from experts representing the views of welfare, health, civic, education, labor and business organizations, recommended sweeping reforms in public and child welfare, including a “revolutionary reversal of roles” in the pattern of Federal and State financing of such projects.

After setting forth the major problems existing under present welfare programs, the Advisory Council recommended the following:

- That the Federal Government set a minimum standard for welfare payments below which no state may fall and below which no family would be required to live. The Federal Government would assume the full financial responsibility between the state's share and the total cost of the program.
- A nationwide comprehensive program of public assistance based upon a single criterion: need.
- Extension of coverage and liberalization of benefits under the social insurance program.
- Strengthening and extension of social services.
- Legal representation for all who wish it, including payment of necessary costs and an independent appeal system.
- A positive program for informing recipients and applicants of their rights.
- Expansion by the Welfare Administration of recruitment, education and training for welfare personnel, including pre-professional, professional and advanced social work and education.

- Expanded social welfare research commensurate in size and scope with the national investment in its programs.

In urging the Federal Government to set standards for the quality and administration of the programs, the report said, "Without strong Federal leadership and support, it is the opinion of the Advisory Council that present imbalances will continue and are likely to increase."

Summary of A PROPOSAL TO CURE THE SICKNESS OF BIGNESS IN THE ADMINISTRATION OF PUBLIC WELFARE by John J. Keppler, Executive Vice President, Federation of Protestant Welfare Agencies, New York City.

In order to cut public welfare costs in half and relief rolls by one-third, Mr. Keppler proposed shifting one-third of the present population on welfare (those receiving OAA, Aid to the Blind and Aid to the Disabled) over to the Social Security system. The transfer of tax funds now fed through a costly and cumbersome welfare bureaucracy to the Social Security Trust Fund would not draw upon existing contributions to Old Age and Survivors Insurance from employers and employees.

Mr. Keppler estimated a saving of administrative costs of around \$¼ billion which could help raise the amount of aid for those groups to higher Social Security levels.

The approximately 5-million people who would be left on the caseloads of local public welfare agencies, most of them receiving AFDC, would be better served by social workers relieved of excessive paper work. The costly and excessively high staff turnover now prevailing would be considerably reduced if social workers had increased opportunities to help the remaining caseload solve their problems and move towards self-support and self-respect.

Because many of those who would be shifted to the Social Security system would still need some social services as well as grants, Mr. Keppler proposed that voluntary health and welfare agencies supply such services through contractual arrangements with the Government.

SUMMARY OF PROPOSALS BEFORE SENATE SUB-COMMITTEE ON EMPLOYMENT, MANPOWER AND POVERTY, MAY 8, 1967, made by Mitchell I. Ginsberg, Commissioner, New York City Department of Welfare (presently Human Resources Administrator).

According to Mr. Ginsberg, the present welfare system, is designed to save money rather than people and ends up doing neither. If changes are not made, welfare problems will grow and become harder to solve. He differentiated between short-range and long-range changes, anticipating that the latter will take years to accomplish, while the former are necessary to make existing programs more effective.

Proposals for changes in the existing program included:

- Substitution of a declaration approach to the means test.
- Employment incentive plan so that welfare recipients securing employment could retain a share of their earnings for a period of time.

- Development of neighborhood centers where social, health, housing, etc., services would be readily accessible to all who need them.
 - Elimination of Federal categories of assistance, making it possible to provide more adequate financial grants.
 - Expanded training and employment opportunities coupled with day care for children and homemaker services.
 - Recognition of welfare as a right, with emphasis on protection of the dignity and self-respect of the recipient.
 - Organization of client advisory groups to develop communication between recipients and welfare administrators.
 - Separation of income maintenance and services so that the former would be provided solely on the basis of need and the latter available even when financial assistance was not required.
 - Defining range of staff skills required to deliver welfare's services.
- Proposals for long-range changes included:
- Expansion and improvement of Social Security system to include the aged, disabled and blind.
 - A program of guaranteed employment for all, with the Government as the employer of last resort.
 - A new system of income maintenance, preferably some form of children's and family allowance.
 - A limited public assistance program for those who do not fit into the other three programs.
 - A program of public social services, available to all who need and want them, regardless of whether or not they were in financial need.

Other papers made available to conferees in advance included **GUARANTEED INCOME MAINTENANCE**, by Helen O. Nicol, from the Division of Research, Welfare Administration, and **THE PITFALLS OF GUARANTEED INCOME**, by Sar A. Levitan of the Upjohn Institute for Employment Research.

Both authors discussed new proposals concerned with lifting the poor out of poverty by providing them with income. Referring to present failures in public welfare and the minimal achievements of the "war on poverty," the merits, costs, and pitfalls of alternative plans were outlined. These included the Negative Income Tax, Guaranteed Annual Income Plans, Family Allowances and others.

Additional materials sent to participants included the following:

CITIES IN CRISIS, THE CHALLENGE OF CHANGE, published by the U. S. Department of Health, Education and Welfare, Welfare Administration;

OUR TROUBLED CHILDREN—OUR COMMUNITY'S CHALLENGE—proceedings of a symposium, sponsored by the Edwin Gould Foundation for Children;

Reprints from newspaper and magazine articles dealing with various aspects of public welfare, as well as other relevant data from official U.S. Government agencies.

The findings and recommendations reflected in this report were based, in large measure, upon the analysis of the data presented to the delegates heretofore described. It is recognized by all concerned that brief exposure to so complex a problem does not necessarily make for expertise. Furthermore, it is recognized that many organizations, public as well as private, have made long and noteworthy contributions to this field. It is not the aim of this Steering Committee to pretend to a knowledge it does not possess. The Committee has tried to bring its own business orientation to bear upon the problem, as it was asked to do by the Governor. If this report has helped increase understanding of some of the problems faced by our society in attempting to meet the public assistance problem, then it considers its mission reasonably accomplished.

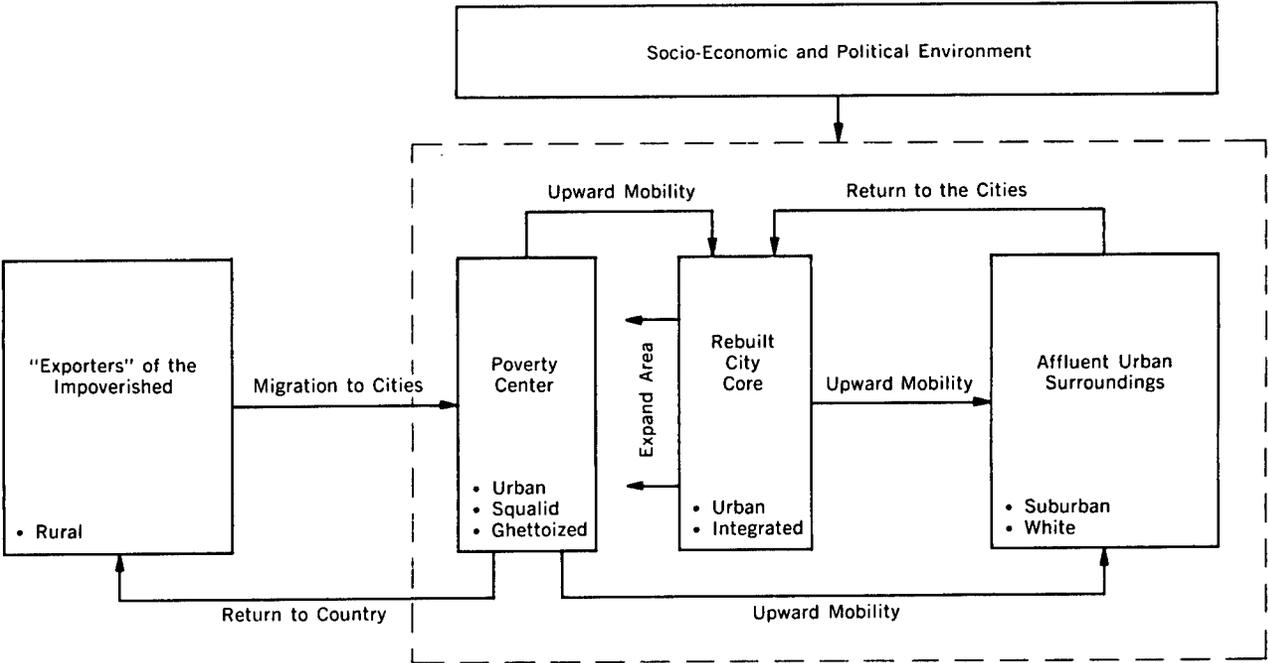


exhibit I

POVERTY AS A SYSTEM

exhibit II

THE URBAN POVERTY SYSTEM

Operating Objectives and Sub-Objectives	Yardsticks	Aid to Dependent Children	Negative Income Tax
1. Income adequate for minimum living standards	Income Level Income Stability Credit Availability & Cost Debt/Asset Structure Budgeting Patterns	+	+
2. Individual fulfillment and social adjustment			
a. Employment	Employment Rate Job Turnover Rate Occupational Patterns		? ? ?
b. Education and Training	School Years Completed Vocational/On-the-Job Training Literacy Skills Inventory		
c. Cultural and Recreational	Leisure Time Activities		
d. Social Skills and Attitudes	Motivation Political Participation Community Attitudes	- -	+ ?
3. Health	Life Expectancy Infant Mortality Rates Disease Nutrition Mental Health		
4. Stability of Family Unit	Head of Household Patterns Illegitimacy Rates Divorce and Desertion Rates	- - -	+ ? ?
5. Law and Order	Crime Rates Juvenile Delinquency Size of Police Force Police-Community Relations Prosecution Patterns Rehabilitation Rates		+
6. Attractive Community Environment	Housing Schools Hospitals Transportation Recreational and Cultural Facilities Social Services	+	+
Cost of Program		\$	\$
Measurement of Cost/Effectiveness			

WORKSHEET FOR PROGRAM PLANNING AND MONITORING

Poverty Programs				Yardstick – Score-Keeping		
Headstart	Job Corps	On-the-Job Training	At Start of Program	After Period 1 2 	
	+	+				
	+	+				
		+				
	+	+				
	+	+				
	+	+				
+						
+						
+	+	+				
+	+	+				
?	?	?				
	+	+				
+	+					
	+	+				
	+	+				
\$	\$	\$	\$			

participants

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arden house, november 2-3, 1967**

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Dr. Eveline Burns, Professor of Social Work, Columbia University School of Social Work

Philip Canfield, Manager, Employee Benefits, Xerox Corp.

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of New York

Dr. Ellen Winston, Consultant, Welfare Ad-
ministration, Department of Health, Edu-
cation and Welfare

George K. Wyman, Commissioner, New
York State Department of Social Services

Hon. Joseph Zaretski, Minority Leader,
State Senate

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APPENDIX 2

CHALLENGE AND RESPONSE

A REPORT TO GOVERNOR NELSON A. ROCKEFELLER BY THE NEW YORK STATE BOARD OF SOCIAL WELFARE—MAY 1968

Two years ago the State Board of Social Welfare determined to commemorate its 100th anniversary by a search for better answers to today's social problems. The Governor's Conference on Public Welfare at Arden House, in which 100 of the nation's leaders in industry, labor, news media, philanthropic foundations and government participated, was the first step in that search. The effective work done by the Steering Committee of that conference was a second step. The regional conferences held by the Board throughout the State were still another. The hundreds of citizens, agencies, welfare recipients and others who addressed our Board made a further contribution.

The conclusions our Board has reached do not constitute a final response to the challenge. But they are a better response than we had two years ago.

Those answers are stated here as principles subject to continuing study, review and refinement. But they are principles which will chart the course of this Board as it starts the 2nd century of its search for the better society for all the people of this state.

HAS PUBLIC WELFARE FAILED?

It has been repeatedly suggested in recent years that the public welfare system in the United States is inadequate. Such criticisms are valid only if the system is to be judged by whether it has eradicated all the root causes of welfare and dependency. It has not done so. We still have poverty in America. We still have poor education, poor housing, poor health, racial discrimination, unemployment, underemployment, technological displacement, and all the other causes of dependency.

But the welfare system was not intended to solve these problems. It was intended to alleviate the gross effects of poverty—to prevent people from going hungry, from being ill-clothed, from being without shelter. In New York State the system has done this and more—it has provided the social services which have helped many of the poor to achieve self-support and self-care and have strengthened family life. In New York State the basic standard of public assistance—which is, in very real terms, a guaranteed minimum income—is \$3,650 a year for a family of four. This exceeds the commonly accepted national level of poverty. And this state pays the highest grant in the nation for Aid to Dependent Children.

Moreover, we review our standards each year to keep them current. The cost of living in New York City has increased 11% since 1963; our standards have increased 12%.

Nor does New York State have the restrictive or punitive policies that still, unfortunately, exist in many other parts of the nation. There is no durational residence law here, no "man in the house" rule, no unwarranted invasion of the right to privacy of welfare recipients.

Our state system, therefore, is not inadequate if it is judged by what it is intended to do rather than by the hope that it will eliminate poverty and dependency.

Having said this, the State Board of Social Welfare recognizes that a number of improvements should be made promptly in the conduct of the present welfare system. The first part of this report lists such changes.

The Board also recognizes the need for consideration of various proposals that would go far toward changing the system itself. The second part of this report addresses itself to these proposals, most of which require federal rather than state action.

However, the Board does not want the discussion of these needed changes to undermine the confidence of the taxpayers and the sense of security of the welfare recipients in our New York programs, which last year aided more than 1.3 million of our needy citizens at a total cost of \$1.8 billion.

MONTHLY SECURITY GRANTS FOR THE AGED, BLIND, AND DISABLED

There have been many suggestions that the aged, blind and disabled be transferred from public welfare to the Social Security Administration. Such a transfer would require action by the Congress.

To accomplish the objectives of this proposal in New York State and to test procedures, the Board has requested the State Department of Social Services to inaugurate, in selected social services districts, a system of monthly security grants to the aged, blind and totally disabled based on their needs as determined by a certified application without preliminary verification.

Mandated periodic verification of the eligibility of these recipients will be eliminated, since by definition their condition is not likely to change for the rest of their lives. Instead reverification will be performed on an "as needed" basis.

A separate service unit will be established by the Department, where a variety of social services will be available to the aged, the blind and the totally disabled. Thus the system will differentiate between the maintenance of income and the delivery of services.

This new system will add dignity and simplicity to the care of this group, will eliminate the caseload concept, and will create a service-oriented method of resolving individual problems as they arise.

CERTIFIED APPLICATIONS IN GENERAL

The Board has been urged to authorize the replacement of the present process of detailed verification by the use of certified applications. This is the recommendation of the Arden House Conference Steering Committee, concurred in by the participants at the Forum conducted by the Committee for Economic Development as well as by many who appeared at the Regional Conferences. It is now in use in the States of California and Maine, and was mandated by our State Legislature in the Medical Assistance program.

Applicants and recipients are the primary source of information as to their own needs, income and other resources. A form asking for essential information, completed by the applicant or recipient who certifies that it is accurate and complete, would permit a simple and quick determination as to his eligibility. As at present, there would be follow-up spot-checks and audit procedures.

This system would reduce the time lag in action on the application, would lend dignity to the applicants and recipients and would permit more effective use of present personnel in the rendition of needed care and services and might delay or reduce the need for enlarged staffs.

Accordingly, the Board directs the Department to prepare and conduct an adequate demonstration project, including both metropolitan and upstate districts, designed to provide more complete information on the basis of which an evaluation can be made of a certified application system.

SEPARATION OF SERVICES AND ASSISTANCE

The Board believes that true social services should be separated from the function of determining eligibility and granting financial assistance. This separation will result in more effective use of trained social workers in the work for which they have been trained, and will undoubtedly reduce staff turnover.

The Board has asked the State Department of Social Services to expedite the planning and installation of such a separation of services throughout the state.

In view of the severe shortage of professional social work personnel, it is essential that scarce skills be put to use where the need is greatest and where results can be expected to be most rewarding. At the same time, job functions will be organized in such a way that staff with a greater range of education and experience can perform effectively.

Just as it is imperative to make the best use of trained social workers, it is also imperative to make full use of less experienced persons for work that does not require advanced education and experience. The Board has already adopted a Rule making provision for Community Services Aides in local social services

departments, in which educational requirements are all but eliminated and preference is given to persons of low income or dependent on public assistance.

The Board is also examining intermediate social services positions with a view to utilizing an intermediate range of experience and education, including graduates of two-year colleges.

DAY CARE

The Board believes that it should be the policy of the State of New York that every pre-school and young school-age child who needs day care services should have such services available to him.

These services include both group and family day care. Priority for day care services should be given to children of low income and ADC families.

State matching funds are now available to local social services districts for the direct provision or purchase of day care but thus far there has been little utilization of these funds to expand these services.

The Board's rules permit day care for infants beginning at eight weeks of age, and the Board solicits requests for establishment of group day care for infants in acceptable programs as well as for day care services for older children.

One of the principal reasons for the delay in development of day care centers has been lack of adequate physical facilities. The Board recommends to the Governor and the State Legislature that public capital funding be made available—as is the case in other areas of special need, such as housing and nursing homes—for construction and rehabilitation of needed day care facilities.

The Board is now revising and modernizing its Rules on day care, in order to permit full utilization of all possible facilities.

No child in the States of New York who needs day care should be deprived of such services, which should be free to the needy and chargeable to those families which can afford to pay.

WORK INCENTIVES

The Board urges the State Legislature to adopt legislation that would establish an across-the-board incentive allowance for welfare recipients who obtain employment, regardless of the source of their earnings.

The Board is convinced that this action will motivate people to accept employment and that it will eventually reduce expenditures for public assistance.

It would remove the present "dis-incentive," whereby a person who receives public assistance has a dollar deducted from his grant for every dollar he earns. This means that a welfare recipient has no practical motivation to seek a job, since his financial condition will not be improved if he gets one.

The Board is convinced that incentives to work are an important and desirable stimulant to poor people to enter the labor force. The Board has consistently urged the federal government to permit welfare recipients to retain a share of their earned income as a work incentive. The Board approved an experiment in New York City which allows members of ADC and TADC families who find employment to keep the first \$85 per month of earnings plus 30 percent of any additional sum. Therefore we applaud the recent action of Congress in adopting an incentive program in the 1967 Social Security Act amendments.

Unfortunately, New York States has not followed suit, and incentive allowances have been applied only to federal employment programs but not to private employment.

FAMILY PLANNING

The Board considers family planning an essential service which should be available regardless of a person's economic status. It recognizes that the availability of family planning services does not take the place of, or obviate the need for, personal motivation. But it has required—in a Rule adopted on December 23, 1966—every local social services district to make known to welfare recipients generally the availability of family planning facilities and services. The Rule also allows, with adequate protection of moral scruples, caseworkers to inform any recipient of Aid to Dependent Children and Home Relief who is married or is the head of a family of the availability of such services. This Rule, adopted well in advance of the recent federal requirements concerning family planning information and services, is in full compliance with those requirements.

The Board is now considering a further extension of its rule to include not only recipients of public assistance but also recipients of care or services who are married or heads of families.

The Board's continued interest in family planning is further evidenced by its persistent monitoring of the effects of its Rules, by its concern with Departmental implementation of family planning policies, and by its efforts to interest related state agencies, such as the Departments of Health and of Education, to do all possible to create viable, coordinated family planning services and facilities. Moreover, the Board intends to continue to make known to the local social services districts its deep concern with their implementation of its family planning Rule.

JOBS AND JOB OPPORTUNITIES

Since a job is the cornerstone upon which most families construct wholesome participation in community life, the Board urges all departments of governments, as well as private employers to be innovative in creating opportunities for the employment of welfare recipients in meaningful jobs.

This is the best solution to the problem of dependency, for any employable or potentially employable person. It should be the public policy of our state and our nation to provide job opportunities for all people and to adjust our economic planning, our laws and our attitudes to attain that end.

The development of new careers for the poor, and the utilization of non-professionals as Community Service Aides in local social service departments, point the direction in which we must continue to move.

The Board reaffirms its conviction that those who are forced to turn to the community for assistance in meeting their basic needs for food, clothing and shelter have within themselves the potential, common to all men, of productive contributions to economic and social life.

We recognize that the complexity of our industrial society demands a higher level of training to unleash the potential which exists beneath the surface. This calls for enlarged training programs to tap inherent abilities. Hiring standards and testing procedures must therefore be modified if those welfare recipients who are the most deprived are to be brought into the labor force. Learning to do the job must go hand in hand with earning. Affirmative action in qualifying the unqualified is required now of both the public and the private sector.

One specific means of assisting poor people to find and keep jobs is to assure them of adequate transportation between home and work.

TECHNOLOGY

The Board urges expanded application of modern technology, including systems analysis and electronic data processing, to the problems of social services and the administration of their delivery to the needy.

It recognizes that these technologies may initially be more adaptable to the administrative than to the service function, but it feels that concerted exploration of both is warranted.

Although adoption of full state administration of public welfare would make application of modern technology much easier, the delay in establishing such a system should not inhibit the rapid use of such technologies.

The Board realizes that this approach will require funds for consultants, programming and equipment, and therefore urges Department of Social Services to include appropriate funds for this purpose in its budget for the next fiscal year, or to explore alternative means of funding.

RESEARCH

The Board of Social Welfare affirms the need for research as a basis for informed policy decisions.

It is essential to expand the existing information system concerning dependent children and adults, and concerning welfare services and programs.

It is equally important to extend research into the conditions that predispose a person toward dependency in public assistance, and to undertake systematic evaluation studies to assess the effectiveness of welfare programs.

To enable a significant expansion of research, commensurate with the scope and importance of welfare programs, sufficient public and private funds must be made available and conditions provided to attract qualified research scientists.

The Board requests the Department of Social Services to identify the requirements for a greatly expanded research program, to make recommendations con-

cerning necessary action, and to develop, expand and foster research in public welfare.

THE VOICE OF THE POOR

The voices and opinions of welfare recipients, both individuals and organized groups, have proved to be most effective and useful in Board deliberations.

The Board has held public hearings and conferences as well as informal conversations with such persons and groups, and these methods will be continued by the Board as an aid in effecting improvements in the welfare system.

The Board is convinced of the wisdom of such participation of welfare recipients and will continue to look for new and imaginative ways to implement this conviction.

NEIGHBORHOOD SERVICE CENTERS

The Board agrees with suggestions from a number of individuals and groups that welfare services should be brought to the people where they live, by means of neighborhood centers such as already exist in a few neighborhoods of a few cities in the state. These centers could also be open evenings and on weekends, for the convenience of the people they are intended to serve.

Moreover, the Board urges that city and county governments consider the establishment of neighborhood service centers that include, in addition to welfare services, such other information and referral services as health, employment, law, housing and family counselling. This would be an effective means of bringing the services of government to the people who need them most, and a further demonstration of the flexibility of democratic society.

LEGAL SERVICES FOR NEEDY PERSONS

For several years the Board has urged the passage of legislation to assure that legal representation is available to applicants and recipients of public assistance in the establishment of their welfare rights. To this end the Board urges the passage by the State Legislature of Senate Intro 5731 and Assembly 7058, now pending.

This legislation is a response to the growing recognition of the need for legal services for the poor as a matter of justice and right.

Federal financial participation is available for this program, and the Board strongly urges its enactment into law.

FLAT GRANTS

The State Board directed that the budgetary method be simplified last year to establish basic amounts of public assistance allowance based on family size and the age of the oldest child. This basic money amount includes food, clothing, personal incidentals, household supplies, school expenses, laundry for recipients of Aid to the Aged, Blind, and Disabled, fuel, utilities and sales taxes. The only item which must be added for basic maintenance is the amount for rent.

Since we allow for special needs in certain circumstances such as special diets or moving expenses, which are not common to all recipients, additional money amounts must be added in such situations.

Nevertheless, we are convinced that a flat payment of assistance based upon family size is the most efficient and effective method of aiding poor people within the present welfare system. To this end we urge the Department to continue to achieve this goal.

USE OF VOLUNTEERS

The Board, which is itself composed of citizens who are not professionals in the field of social work, is deeply committed to the use of volunteers wherever possible in furnishing needed supporting services to welfare recipients.

Since 1965 the State Department of Social Services has had a Senior Welfare Consultant on Volunteer Services, the first such post in a Department of Welfare in any state. The primary functions of the Consultant are to organize volunteer services in local agencies, plan volunteer programs, and train supervisors directly responsible for the work of volunteers.

The Board hopes that there will be ever wider use of this consultative service for a broader and more effective involvement of volunteers in helping the needy.

UNIFORM NATIONAL STANDARDS

The Board urges the Congress of the United States to establish realistic national standards for public assistance which would provide a floor below which no person in the land would be expected to live.

One of the principal weaknesses of the present welfare system is that it does not assure every needy American that he will be protected in his essential right to food, clothing and shelter. The lack of federally mandated standards causes a wide variation in public assistance benefits in the fifty states. Such variations range from granting a small percentage of a minimum subsistence standard in some of the poorest states to meeting 100% of basic needs on a more liberal standard in states like New York.

Only Congress can correct this indefensible injustice. It can mandate national standards, and in doing so it would necessarily be required to provide a federal reimbursement formula which would take into account the economic capacity of the state to finance such a standard.

ELIMINATION OF "CATEGORIES"

The Board has long urged the elimination of the so-called federal "categories" of public assistance.

These "categories" have been embedded in the federal public assistance program, dividing up needy people by age or by the condition which created their need. There are dependent children, and families of dependent children, and blind, and aged, and disabled and persons on home relief receiving general assistance.

This jungle of categories complicates administration and creates more problems for people who already have problems enough.

The Board has consistently advocated action by the federal government to establish a single category of assistance based upon need. Such action would make federal financial aid available to all needy persons, including home relief recipients and poor children in foster care, who are not now eligible for federal assistance.

In 1962 the Board combined the categories of Aid to the Aged, Aid to the Blind, and Aid to the Totally and Permanently Disabled into a single category known in the State of New York as Aid to the Aged, Blind and Disabled (AABD). Moreover, the standards of assistance in this state have been made uniform for all basic items in all categories of assistance.

THE PUNITIVE ASPECTS OF THE 1967 SOCIAL SECURITY ACT AMENDMENTS

The Board opposed the action of Congress last year in amending the Social Security Act, and today urges the Congress to repeal or modify the restrictive and punitive provisions of these amendments.

The Board repeats its urgent request that the ADC "freeze" be repealed, that children of unemployed mothers as well as fathers be aided, that ADC payments be permitted to supplement Unemployment Insurance Benefits when these are not sufficient to meet basic needs, and that mothers of dependent children be encouraged to work only when it will be in the best interests of their children.

As this law now stands, it shows a hostility toward needy people that the Board cannot believe to be a reflection of the American conscience.

The Board's views on this legislation have been transmitted to the Congress and to the Department of Health, Education, and Welfare in the past, and the Board repeats them today, with equal earnestness.

INCOME MAINTENANCE

The Board has given much thought to the various proposals designed, in effect, to replace the present system of public assistance with a new form of income maintenance. These new proposals are intended to separate the provision of financial support to needy persons from the provision of social services to such persons, and to provide a more dignified system of delivery of the funds required for food, clothing, shelter and other basic human needs.

In recent months most of the discussion of such a major change has focused on the proposal of a negative income tax and on the proposal of family or chil-

dren's allowances. These are, however, other methods of approaching the same goals, including some form of "income insurance" which would be based upon a vast enlargement of the insurance aspects of the federal Social Security system.

Any such change in the basic method of providing essential income to Americans in need would obviously have to be made by the federal government. It would be impractical for a single state—even as large a state as New York—to undertake such a change on its own.

The Board believes that these proposals deserve earnest, serious and prompt consideration by all citizens and by the Congress. However, it urges that any such consideration should keep in mind the following reservations:

1. That it would be a disservice to the inhabitants of the State of New York if a nationwide system of income maintenance were to be adopted that, while benefiting needy persons in other parts of the country, worked to the disadvantage of the affected persons living in New York State. This state has one of the highest levels of public assistance in the country, in the various categories of assistance, and in some categories the highest of any state. This is not a matter of generosity on the part of the state's taxpayers, but only a clearer recognition of the responsibility one citizen has to another in a civilized society. It would be a tragedy if, in the effort to improve the condition of the poor throughout the country, the condition of the poor in New York State were to be made worse.

2. That there must be safeguards against the use of a major change in the form of income maintenance as an unintentional device to reduce the effectiveness of those social programs which are intended to assist people toward the dignity and self-respect that comes from self-support.

No form of income maintenance can take the place of reinforcement of existing programs and the creation of needed new programs for employment opportunity, decent housing, improved health care, educational opportunity and elimination of discrimination.

3. That we must guard against the creation of a permanent underclass of Americans whose chief characteristic will be their dependency. The objective should be to use the device of income maintenance as a foundation on which to build a system of social services designed to eliminate the existence of any group of persons relying upon public assistance, under whatever label.

The Board has not reached the point, in its own deliberations, of agreeing on any particular program of income maintenance that would replace the present system. However, it is continuing its study of such proposals, and will express its views to the public and to the Congress when and if it concludes that one or another of the proposals, or a combination of them, would be in the best interests of all, and particularly of the poor people in this State and nation.

CONCLUSION

We are keenly conscious of the intensive and thoughtful consideration given by a large number of people, many of them new to social welfare, to the problems of dependency in our nation and their possible solutions.

Undoubtedly the most significant aspect of the Arden House Conference was that it represented, as Governor Rockefeller characterized it, "a unique and unprecedented concentration of American leadership on the problem of public welfare." It had been the aspiration of the Board to enlist, perhaps for the first time, the real interest and involvement of our top national industrial leadership, and then to secure from the members of that group a commitment to continuing participation in the resolution of the problems of public welfare. These objectives have been achieved beyond our wildest dreams.

In the regional Conferences there developed a healthy, continuing awareness on the part of both well known and new spokesmen that these were the problems of our whole society and that every sector of our community life shares responsibility for their solutions. Reflecting a readiness to comprehend the facts, to understand their significance, and to eschew a merely visceral reaction, the public displayed a truly enlightened climate of opinion and concern. The Newburgh syndrome has been replaced by a compassionate, informed but tough-minded regard for people rather than an anxiety for dollars only. And the business of public welfare is no longer the exclusive concern of the social services establishment. This augurs well for all of us, recipient, worker and taxpayer.

APPENDIX 3

NO ONE CAN STOP IT—EXCEPT US

THE 101ST ANNUAL REPORT OF THE NEW YORK STATE BOARD OF SOCIAL WELFARE
AND THE NEW YORK STATE DEPARTMENT OF SOCIAL SERVICES, 1967

STATE OF NEW YORK

NELSON A. ROCKEFELLER, *Governor*

STATE BOARD OF SOCIAL WELFARE

HUGH R. JONES, *Chairman*

STATE DEPARTMENT OF SOCIAL SERVICES

GEORGE K. WYMAN, *Commissioner*

LETTER OF TRANSMITTAL

MAY 15, 1968.

To Governor Nelson A. Rockefeller and the Members of the Legislature of the State of New York.

GENTLEMEN: In accordance with the provisions of the Social Services Law of New York State, and at the direction of the Board, I herewith submit to you the 101st Annual Report of the Board and the State Department of Social Services.

Respectfully yours,

HUGH R. JONES, *Chairman.*

A DEDICATION

This 101st annual report of the New York State Board of Social Welfare and the New York State Department of Social Services is dedicated to the memory of Antonio A. Sorieri, First Deputy Commissioner of the Department, who died July 11, 1967.

Tony Sorieri devoted his life to America's destitute and gained national recognition as an eloquent spokesman for these muted millions. His contributions to their welfare will continue through the great structure of public social services he did so much to build.

Well might the humble and the disadvantaged everywhere say of him, "So worthy a friend."

EXPENDITURES IN PUBLIC WELFARE PROGRAMS SUBJECT TO BOTH FEDERAL AND STATE AID OR TO STATE AID ONLY, NEW YORK STATE, 1967

[In thousands]

Class of expenditure	New York State		New York City		Upstate	
	Amount	Percent	Amount	Percent	Amount	Percent
Total expenditures.....	\$1,867,844	100.0	\$1,169,376	100.0	\$513,522	100.0
SOURCE OF FUNDS						
Federal aid.....	698,089	37.4	421,423	36.0	183,978	35.8
State aid.....	645,703	34.6	381,406	32.6	172,038	33.5
Local funds.....	524,052	28.0	366,547	31.4	157,506	30.7
Medical assistance for aged in mental hospitals.....	161,892	8.7				
Mental hygiene family care.....	1,659	0.1				
Juvenile delinquents in State training schools.....	16,542	0.9	10,072	0.9	6,470	1.3
State office administrative costs.....	21,395	1.1				
Expenditures in locally-administered public welfare programs.....	1,666,356	89.2	1,159,304	99.1	507,052	98.7
OBJECT OF EXPENSE						
Assistance and care.....	1,461,506	78.2	1,011,857	86.5	449,649	87.5
Subsistence payments.....	854,062	45.7	642,766	55.0	211,296	41.1
Medical costs.....	607,444	32.5	369,091	31.5	238,353	46.4
Local administration.....	204,850	11.0	147,447	12.6	57,403	11.2
PROGRAM ANALYSIS						
Subject to both Federal and State aid.....	1,352,446	72.4	930,120	79.5	422,326	82.2
Assistance and care.....	1,208,732	64.7	822,883	70.3	385,849	75.1
Medical assistance for the needy.....	606,668	32.5	368,311	31.5	238,358	46.4
Old-age assistance.....	72,503	3.9	50,105	4.3	22,398	4.3
Aid to the disabled.....	42,079	2.2	29,887	2.5	12,192	2.4
Assistance to the blind.....	3,964	0.2	2,869	0.2	1,095	0.2
Aid to dependent children.....	483,518	25.9	371,711	31.8	111,806	21.8
Local administration.....	143,714	7.7	107,237	9.2	36,477	7.1
Subject to State aid only.....	313,910	16.8	229,184	19.6	84,726	16.5
Assistance and care.....	252,774	13.5	188,974	16.2	63,800	12.4
Home relief.....	99,937	5.4	77,015	6.6	22,922	4.5
Day care.....	7,061	.4	7,061	.6		
Care of adults in public homes.....	11,010	.6	2,280	.2	8,730	1.7
Care of adults in public shelters.....	2,132	.1	2,132	.2		
Care of children in public shelters.....	7,406	.4	7,406	.6		
Foster care of children.....	90,198	4.8	64,421	5.5	25,777	5.0
School lunch and milk.....	18,668	1.0	18,640	1.6	28	
Juvenile delinquents in local facilities.....	13,980	.7	8,444	.7	5,536	1.1
Burial costs and other assistance programs.....	2,382	.1	1,575	.1	807	.1
Local administration.....	61,136	3.3	40,210	3.4	20,926	4.1

¹ Since costs for medical assistance for aged in mental hospitals, mental hygiene family care, and State administration appear only in the New York State column, the sum of New York City and Upstate does not yield the State total shown.

MONTHLY AVERAGE NUMBER OF PERSONS IN SPECIFIED PROGRAMS

Program	New York State	New York City	Upstate
Total	1,292,260	784,831	507,429
Medical assistance for the needy	460,102	147,863	312,239
Also received money payments	200,393	95,846	104,547
Medical only	259,709	52,017	207,692
Old-age assistance	69,657	44,909	24,748
Aid to the disabled	36,960	24,682	12,278
Assistance to the blind	3,126	2,118	1,008
Aid to dependent children	721,580	525,871	195,709
Home relief	153,238	109,959	43,279
Children in foster care	47,990	25,275	22,715

1967 AND 1966

In 1967 the social services system in the State gave assistance and care to a monthly average of 1,292,260 persons at a total cost in local, State, and federal funds of \$1,867,844,000, \$606,668,000 of which was spent for medical care for those persons, who included a monthly average of 259,709 individuals who received medical care (Medicaid) only, not public assistance grants.

In 1966 a monthly average of 969,540 persons received assistance and care at a cost of \$1,200,531,000, \$356,019,000 of which was spent for medical care for those persons, who included a monthly average of 80,114 individuals who received Medicaid only (for the eight months that program was in operation) and a monthly average of 35,878 individuals who received Medical Assistance for the Aged (for the four months that program was in operation before Medicaid succeeded it). In addition, several thousand men, women, and children received hospital care as medical indigents during the first quarter of 1966 before Medicaid legislation was enacted in New York State.

The monthly average number of persons given assistance and care in 1967 was 322,720 more than in 1966. Over half of the increase, 179,003, were welfare recipients, almost all of whom were in the programs of aid to families with dependent children and home relief. The other 143,717 were Medicaid recipients who did not receive public assistance grants.

The 1967 expenditure was \$667,313,000 more than the 1966 expenditure. Almost two-thirds of that increase, or \$416,664,000, was for public assistance and care. The remainder, \$250,649,000, represented increased medical assistance expenditures due to 12 months of Medicaid instead of 8 months, rising medical costs, and other factors.

TABLE OF CONTENTS

Letter of Transmittal	499
Dedication	499
Expenditures in Public Welfare Programs	500
I. A Proposal: Employability Insurance	502
II. The State Board in Action	507
III. Medicaid	513
IV. About People	515
V. About Programs	516
VI. No One Can Stop It—Except Us	518
Appendixes:	
A. The State Board of Social Welfare	519
B. The Department of Social Services	519
C. Award Winners	519

I. A PROPOSAL: EMPLOYABILITY INSURANCE

(By George K. Wyman, Commissioner, State Department of Social Services)

Nineteen sixty-seven was the year in which 87 leaders of our economy—from industry, business, labor, news media, charitable foundations, and government—studied the problems of public dependency in the United States under the sponsorship of the Governor's Conference on Public Welfare—"a unique and unprecedented concentration of American leadership on the problem of public welfare," as Governor Nelson A. Rockefeller characterized the event.

A summary of the ideas and proposals developed by these distinguished citizens is included in this report.

This unusual achievement and similar developments which followed it that year and this year—such as the National Advisory Commission on Civil Disorders, the President's Commission on Income Maintenance, and the National Alliance of Businessmen—demonstrate that a large, responsible segment of the private sector is aware of the dimensions and implications of widespread want in the social pileup of millions of families who have been segregated from the mainstream of American life, and are involved in action to correct the causes of want: lack of job skills, illiteracy, the changing work requirements of a fast-changing economy, racial discrimination, and poor health.

The urgent need for such action is clearly evident. For still another year public welfare rolls and costs continued to climb everywhere in the United States, despite anti-poverty programs and all other social action. In the last five years the Nation's public welfare population increased from 7.5 million recipients to over 9 million—95 percent of whom are children and those who take care of them, and aged, blind, disabled or otherwise handicapped persons. And costs rose from \$5 billion to \$9 billion.

A SOCIAL AUDIT OF AMERICA: 1968

Indeed, welfare and poverty programs constitute one of our fastest-growing industries.

And where do all these investigation-certified destitute come from, year after year after year, in ever-increasing numbers? From these groups, among others:

- (1) The 28 million men, women, and children—12 percent of the white population and 40 percent of the non-white—who live below the so-called poverty level of \$3,335 annually for an urban family of four.
- (2) The estimated 30 million adults and children who live in our slums.
- (3) The 11 million illiterate persons.
- (4) The 3.3 million unemployed.
- (5) The 9 million adults who lack work skills.
- (6) The 12 million persons disabled by chronic illness, a handicap, or conditions that require hospital or institutional care.
- (7) The 20 million mentally ill.
- (8) The 5.5 million mentally retarded.
- (9) The 6.5 million alcoholics who are unable to hold a job or run a home.

Obviously, unavoidable duplication exists in this brief social audit because a great number of persons are multiple-handicapped: many are illiterate, lack work skills, live in slums, are in poor health, and are otherwise too handicapped to go it alone in a sophisticated, complex society.

But the net, unduplicated toll of decades of poor living standards, poor health, and poor preparation for life is still staggering. Furthermore, a rising population means more people damaged by that poverty of mind, body, and spirit; and in the last eight years our population rose by 20 million.

Such stern facts of life, especially as they apply to our non-white population, prompted the Presidents Commission on Civil Disorders to warn: "Our nation is moving toward two societies, one black, one white—separate and unequal." It would be more accurate to say that our nation has consisted of two societies, separate and unequal, for decades. Today 1 in every 14—both white and black—live in an ever-deepening subculture, a "separate and unequal" underworld of deprivation. This schizophrenic, double-standard way of life represents a fiscal and social burden that no society, however great its Gross National Product, or its apathy, can long tolerate.

About apathy. Everybody seems to agree that welfare recipients and the millions of other poverty-stricken need to be motivated. They do. Any human being condemned to life in a hovel, without even the resource of hope, needs all

the motivation he can get. But the rest of us need motivation, too—and enough of it to take whatever action is necessary to stop this incredible stunting, deterioration, and destruction of the character, spirit, and potential for decent living of so many millions of our men, women, and children.

But worse than apathy. Nineteen sixty-seven was the year that the Federal Government passed legislation to withhold federal funds for the support of any and all needy children who might be unlucky enough to be among the percentage of children to be excluded by an arbitrary federal ceiling on such aid. The children who would lose federal aid in this grim lottery would have to look to the states and the localities for the necessities of life; and many of these states and localities, even with federal aid, provide only a fraction of the living needs of destitute children and adults. (In one state the average monthly payment for a family is \$35—for all of its needs: food, rent, clothing, etc.)

Such federal legislation seems to indicate the frustration and inability of the Government to deal with the critical problem of massive destitution.

Another example of this policy of retreat is the Federal Government's cutback of its Medicaid program for individuals and families not on welfare who cannot pay for needed medical care. That cutback is to be carried out by congressional ceilings based upon public assistance levels, however inadequate those levels might be, and are, in many states. As a result, millions of Americans living below the poverty line will not be able to qualify for federally aided Medicaid, which means they will be deprived of needed medical care. This in the face of a shocking toll of sickness and disability which accounts for some 40 percent of all welfare costs in New York State and elsewhere throughout the Nation. Deprived of federal funds, New York State was forced to cut back its program, too. Some 2,200,000 persons potentially eligible for help in case of illness and 1 million beneficiaries were cut out of the program.

Does this federal approach to our gravest internal social and economic problems reflect a domestic social isolationism that augurs not less, but more, welfare and other poverty burdens? Is it meant to punish public welfare recipients and other needy by depriving them of help because they are unable to cope with dependency-making factors over which they have little or no control: sickness, disability, dependent infancy and childhood, old age, illiteracy, unrealistic job requirements, discrimination, and all the rest of it?

Hopefully not. What it does indicate, perhaps, is that government must rethink a lot of its services—welfare, health, education—new and old. And the private sector must do likewise, especially in its recruitment, job-training, health benefits, and other areas. Out of that reconsideration should come recognition that the public and the private sectors will have to fit their policies and operations to meet the demands of 1968 and the years ahead.

If every physically and mentally able individual is to be given an opportunity to earn a living, the leadership responsible for our economy, for its work requirements, and for the availability of the educational, vocational, health, and other services our citizens require to meet those work requirements, must make those services available so that the opportunity to earn a living is a fact and not a theory.

“* * * ABOVE ALL ELSE, HOW TO EARN A LIVING”

To do this we need to regroup, refocus, and recast a number of welfare, health, and educational activities; contract to private industry, labor, and other private sectors some activities now conducted by government or not at all; and enlist the active cooperation of thousands of citizen organizations in these public-private operations.

This proposed reorienting, rebasing, and extension of existing welfare, education, and health activities might be called employability insurance. We have many kinds of insurance now, of course—unemployment, old age, survivors, health, disability. But all of them are, in one way or another, tied to unemployability—as they should be. But what we need is employability insurance, a program of coordinated action in key fields focused on employability, on making and keeping people employable and employed.

Employability insurance would begin in the school, where every child would be taught—above all else—how to earn a living. New, revitalized, and extended work-oriented instruction and guidance would be given, through management-labor teams, in actual work settings—stores, offices, shops, hospitals, farms, restaurants, factories—under the immediate direction of managers, foremen, and other supervisors and employees in commerce and industry.

All young people would be required to complete sufficient academic education and job training to equip them for available full-time or part-time work opportunities when they leave school for employment or they continue with higher education but need employment.

Students of appropriate ages might be given school credits for working full-time or part-time, for limited periods; at approved jobs in industry, business or government. Such practical education and earn-a-living training would develop self-reliance, expose them to the realities of the world of work, teach them something about earning and managing money, and help them to think about and prepare for their future.

Thus every child would learn firsthand about our economy: what makes the wheels turn, why and how one must earn a living, the many commercial, industrial, technical, and professional opportunities that exist, and some important facts of modern life, including this: many people will have to undertake two or three careers in their working lives because our fast-changing economy makes more and more occupations obsolete.

In a matter of months of full-time vocational study and training, young people could be taught enough to fill part-time or full-time job vacancies in industry or commerce while they are getting an education, after they have completed it, or if they drop out.

All young people would be required to complete sufficient academic and job training to earn a living.

The work training and guidance, the content of vocational courses, and other work-related activities could be turned over to an agency comprised of representatives of various business, technical, and professional fields, labor, and government, as a public-private enterprise.

Through this agency, employers might be encouraged to adopt new patterns of employment and recruitment, especially in view of the fact that, within a year, half of the 200 million people in the United States will be under 25 years of age and their life expectancy will be much greater than that of any group of Americans in history. These facts have economic and social implications for all of us, and unless commerce, industry, labor, and government plan for effective utilization of this unprecedented manpower, those implications will soon become economic and social problems of unguessed dimensions.

A long word of caution. Over-emphasis on getting a "good job" (by getting a "good education") and too much warning about "dead-end jobs" can produce unfortunate results.

Obviously, a college education is no guarantee of a "good job," and not every young person is "college material." Equally apparent, there will continue to be millions of jobs, and self-employment opportunities that do not require years of academic study—and never will. Many of these pursuits may be characterized as "dead-end," but millions of Americans start in this way, progress to other work, and climb as near the top of the ladder as conditions permit, in the great American tradition.

Many others, whose limitations and circumstances prevent such progress, at least have the satisfaction of earning their own living, modest though it be, at tasks, that must be done in every town, city, and county in the nation, if the wheels of our economy are to be kept turning.

If shunning of "dead-end jobs" should increase and become widespread, we might find ourselves with additional hundreds of thousands of job vacancies and unrealized self-employment opportunities—as well as continued high-level, and increasing, welfare rolls. This because more and more individuals might be encouraged not to prepare themselves for so-called dead-end jobs, even though such preparation might involve a minimum of effort.

Today some of the few employables on the welfare rolls are beginning to say they will refuse to accept available jobs if those jobs are "dead-end." (If they do refuse and consequently are dropped from the welfare rolls, all of us will share the blame for their mistake in judgment—and for the subsequent suffering of their families.)

Certainly all of us should know and believe that working at whatever we can do, at whatever stage of our development, is being useful to others as well as ourselves and our dependents and is the truly significant meaning of "earning a living."

HEALTH ASSURANCE

Employability insurance would also provide needed medical services—preventive and treatment—for all school children and require periodic reporting on their health status and health needs to prevent sickness and disability, to correct poor health, and to make children, and their families, health-conscious.

Every school would have available to it the services of a physician and a nurse to give periodic health examinations and necessary follow-up guidance to the children and their parents. Where medical care is required, the family physician would provide that care; if the family could not pay for the care, it would be given at public expense.

Older children would be given appropriate health information and guidance through practical health talks and demonstrations by physicians, psychiatrists, and other health educators, and by visits to various health facilities. With the disappearance of the general practitioner, the shortage of health facilities and personnel in urban and rural areas alike, sickness and disability being the greatest cause of welfare expenditures, and the runaway costs of medical care everywhere, such health guidance has become an urgent need for millions of medically indigent and other Americans.

Medical personnel in government, in private practice, in medical schools, and in research organizations have a priority responsibility to undertake this all-important health education—through a voluntary draft, if necessary.

These services, and the work-oriented training program, should involve enlisting the understanding and support of the parents, PTA groups, women's clubs, service clubs, and other community and civic groups at school district levels, and having representatives of these groups, and of the general community, attend the health and work sessions. Through such communication, parents could be alerted to the significance of these programs, specifically in terms of their own children and generally in relation to the community and what dependency and sickness mean, socially and fiscally.

But we need much more than an expanded and deeper health program for our 50 million school children. Employability insurance embraces a major program—universal health insurance—to cover every man, woman, and child, protection that is provided by every industrial nation in the world today, except the United States.

The main thrust of this program would be to cut down the burden of sickness by having every person able to pay for necessary medical care, assume that basic, priority responsibility for himself and his dependents, through health insurance payments by him and his employer. In the case of welfare recipients and other poverty-stricken citizens, government would pay the insurance premiums until the circumstances of these individuals and families changed to enable them to assume their share of this obligation.

Even a limited program of health insurance would produce direct results in checking the burden of sickness in the Nation by getting some needed medical care to some people, and by teaching millions of citizens their responsibility, to themselves and their dependents, of giving priority consideration to expenditures for health protection and restoration.

MONEY TO LIVE BY * * *

The final major segment of employability insurance would involve the provision of income maintenance grants, through a recast welfare system or a new program (as suggested by proposals of the participants in the Governor's Conference on Public Welfare¹) to individuals and families who cannot earn their own living because of illiteracy, lack of work skills or health disabilities.

The first two groups would receive the literacy and work training they require, promptly and effectively, from a nationwide network of management-labor teams under government contract.

Such programs have, everywhere in the country—

- (1) Taught the illiterate in record time, beyond anything yet achieved by conventional educational methods, and opened work opportunities for thousands of jobless men and women;

¹ See "Instead of Public Assistance * * *?" on page 17.

(2) Trained totally unskilled people, more quickly and more successfully than has been done through standard vocational training programs, and provided these people with the exact know-how needed to take over and handle a job the very first day of employment;

(3) Motivated the aimless and the hopeless by helping them to become somebody with a sense of purpose and achievement, a feeling of responsibility, a new, important status in the family—by teaching them how to earn a paycheck;

(4) Demonstrated how even individuals with police records could be put to work, with their employers experiencing less pilferage than employers of workers without criminal records; and

(5) Trained and placed Negroes and other minority group members in jobs in various industries and businesses.

Individuals with health-disabilities would, of course, receive whatever medical care and other services might be required to restore their health and employability or otherwise benefit them.

Other individuals and families—those without income because of age, chronic illness, or other conditions that clearly preclude employment—would be given income maintenance grants and whatever social or other services they might require.

All persons over 65 years of age, all totally and permanently disabled persons, and all blind individuals now on the public welfare rolls would be transferred to the social security rolls—some 3 million needy citizens who surely should be in that program and not on public relief.

The tired, old cliché objections to such a transfer no longer obtain. Here's why:

(1) The Federal Government now pays almost two-thirds of all welfare costs for these 3 million individuals. Why not provide those funds through the social insurance system instead of a second system and a second overhead—welfare—especially in hundreds of thousands of cases in which too-low insurance benefits must be supplemented by welfare payments? And even a third system and a third overhead where such cases involve hundreds of local welfare departments as well?

(2) Another fiction that helps to block needed simplification and improvement in the insurance-welfare systems is the notion that the social insurance program is founded upon an inflexible inviolable actuarial system and that contributors must get only the exact benefits that their contributions make actuarially possible. To give them any more, regardless of their actual need, would introduce a welfare concept into the insurance system, and this must not be done, according to this reasoning. Everybody knows, however, that social insurance policies and benefits have been changed several times to help meet more of the financial needs of various groups of insurance beneficiaries—without regard to their contributions or the duration of their coverage in the system. Indeed, social security has become something of a welfare program for 23 million citizens, all of whom are subject to a means test through the earned-income limitations and earnings test.

(3) Furthermore, the myth that benefits can only be wage related and that beneficiaries must have been prior contributors to the system was exploded by the Congress, itself, when it authorized general tax revenues to be used to pay certain benefits and to match premium payments for Supplemental Medical Insurance benefits. These changes were made in 1965 and the Social Security system has been improved thereby.

(4) Another alternative would be for states to pay the Social Security system the amounts the aged, blind, the disabled now receive in welfare payments. These sums could be added to their individual Social Security benefit checks and be sent as a single combined amount to the needy persons. The advantages of this proposal are simplification, a single benefit payment, and elimination of duplication.

(5) Finally, a social insurance system that cannot provide benefits for over 9 million certified destitute men, women, and children in the world's richest society needs some overhauling to bring it into line with United States 1968.

Surely the American people would support transfer of these unfortunate citizens to the social insurance rolls as the soundest, most practical, and most indicated start for an income maintenance, or guaranteed annual income, plan.

THE COST: IF WE DO OR DON'T

Every day that we delay doing what we should be doing to stop or slow down the spread of poverty, the financial and social costs accelerate.

There is no way of escaping what some day we must finally do: provide the training, educational, and health services millions of adults and children need to fit them to earn their own way in the most competitive, most complex way of life in all history.

The cost: We are now spending some \$70 billions annually for welfare, education, and health programs that cannot do what needs to be done in the United States in 1968 and the years ahead—prepare millions of people to fill millions of job vacancies. Recast welfare, education, and health services, a reasonable health insurance program that will have us put aside the money we should to pay for our medical care, and a massive job-training program by industry, business, and labor, could raise the consumption levels of tens of millions of Americans and increase purchasing power billions of dollars annually. (In 1960, if Negro expenditures for consumption had equaled those of the white population, the added direct purchases by Negroes would have been nearly \$7.5 billion, according to Mr. L. W. Moore, president of the American Oil Company. Mr. Moore added: "Because of multiplier effects . . . the total impact on the economy would have been much greater than that. And, because of population growth, the figure would also be larger today.")

Hopefully, most of us still believe that every human being, even the most bereft among us, should have the opportunity to try to live a meaningful existence. After all, that's what life is all about.

II. THE STATE BOARD IN ACTION

Nineteen sixty-seven was the 100th anniversary of the New York State Board of Social Welfare, the group of 15 citizens who set policies and standards for the State's social welfare system, one of the most extensive and highly developed in the nation.

That system—involving public, voluntary, and proprietary facilities—includes institutions and services for children; homes for the aged; programs for the blind and other handicapped; casework counseling for individuals and families; hospitals, dispensaries, infirmaries, and nursing homes; anti-poverty programs; and the federal-state-local public welfare system, which provided for a monthly average of 1.3 million men, women, and children, at a cost of \$1.8 billion in 1967.

A lot of needy people and a lot of public funds. This problem of steadily increasing welfare population and costs has been an urgent concern of the Board, as it has been of many other citizens. And the Board, like other citizens, recognized that public dependency was becoming not only a major problem in the nation but a crisis, and required the attention and action of the private sector, not only the public. If millions of Americans were to be given an opportunity to earn their own living in today's economy and tomorrow's, those who set the work requirements and those best able to bring these millions into the mainstream of American living—the leaders and builders of our economy—must help to resolve or alleviate the great domestic problem of widespread poverty.

It was decided to observe the centennial of the Board, not in some conventional, ritualistic way, but through an action program that would seek realistic answers to the shake-up dimensions to which poverty and welfare had spread in the nation. It proposed to do this by presenting this tremendous economic and social problem to those who are primarily responsible for building and guiding our economy.

Commissioner George K. Wyman suggested that this be done through a unique meeting at which leaders from business, industry, labor, the mass news media, private charitable foundations, and government would assess the problem and make recommendations for its solution.

Chairman Hugh R. Jones and the other members of the Board approved the idea. Through a committee headed by George F. Berlinger, Vice Chairman of the Board, David Bernstein, Theodore C. Jackson, and Mrs. Donald E. McConville, plans were made for the meeting, for the production of two films, for publication of position papers, and for obtaining private philanthropic funds to pay the costs of the event.

Governor Nelson A. Rockefeller invited leaders of the economy to a Governor's Conference on Public Welfare at Arden House, Harriman, New York, November 2-3. Eighty-seven participated at the two-day sessions—after having studied especially prepared papers on the basic elements of the problem by prominent authorities—and offered many ideas and proposals. A summary of the recommendations and suggestions made at this pioneering event—prepared by a committee of participants headed by the Conference chairman, Joseph C. Wilson, Chairman of the Board, Xerox Corporation—is included in this chapter.¹

Another major development was that the Conference recommendations constituted the agenda of an all-day session held by the Committee for Economic Development in New York City on May 8. This organization of 200 distinguished businessmen and educators seeks, through research and discussion, to contribute to the maintenance of the United States economy and living standards at a high level.

The Board followed through on its Arden House program by seeking grass roots opinions on new approaches to public welfare through seven public meetings held in the State. A report on these meetings is also included in this chapter.

Other actions by the Board included adoption of new, major policies and approaches, such as the following:

1. Recasting the whole appeals machinery for recipients and applicants of public assistance by changing that set-up from a conciliation process to a full-fledged administrative review to assure equitable treatment by more effective development, presentation, and evaluation of the facts involved in each appeal, and by permitting the appellant full access to those facts and the help of counsel, or of any other representative designated by him, in the presentation of his case.

The appeals program includes, among other provisions, the right of applicants and recipients to appeal to the State Department of Social Services from decisions of local departments that the recipients or applicants believe are unfair. Such situations include failure of a local department to act on an application for assistance, failure to provide needed assistance, or unfair suspensions or discontinuance of assistance. In the case of appeals against decisions to suspend or discontinue assistance, the Board shortened to 10 working days the time between the request for a State hearing and the actual conduct of that hearing, to protect the applicant family or individual from hardship.

In addition, the Board extended to 170,000 home relief recipients and to all future applicants for such aid the right to make such formal appeal. Heretofore, the appeals process was available only to applicants or recipients of federally-aided public assistance: aid to families with dependent children, and assistance to the aged, blind, or disabled.

2. Requiring that all basic materials on the operation of public welfare programs in the State—federal and State laws, Board rules, and Department regulations bulletins, and other information on official policies—be made available at all Department area offices throughout the State for the information of the public.

3. Endorsing the principle of State administration of social services, instead of the present system of local administration under State supervision, because State administration would further the interests of the welfare recipients and the general public by assuring desirable uniform standards of assistance, operation, and management; by permitting the needed professional development of welfare personnel; and by achieving some simplification by eliminating one level of the present federal-state-local system.

4. Requesting the Legislature to make it clear that Medicaid recipients are not exempt from assignment, income execution, and installment payment orders. (Public assistance recipients are so exempt by federal and State legislation so that their welfare grants are used for food, rent, and other necessities and are not diverted to liquidation of old debts.)

In developing policies, the Board has conducted public hearings, conferred with the State Administration, worked with members of the Legislature, held meetings, with representatives of various citizen, health, welfare and other organizations, met with welfare recipients and their representatives, and otherwise functioned—collectively and individually—as citizen, participant, guide, and policy-maker in the State's social welfare system.

¹ A detailed report on the Arden House sessions appears in the February 1968 issue of *Social Service Outlook*, the Board and Department magazine.

INSTEAD OF PUBLIC ASSISTANCE . . . ?

A summary of major recommendations from a report of the steering committee appointed at the Governor's Conference on Public Welfare, held at Arden House, Harriman, N.Y., November 2-3, 1967. See page 14.

The replacement of the present system of public assistance covering nine million people with an income maintenance system—possibly a negative income tax, which would bring some 30 million Americans classified as "poor" up to the so-called poverty line of \$3,300 a year—has been proposed by a steering committee of 12 named by Governor Rockefeller from among a group of nearly 100 leaders of the economy to seek solutions to the nation's welfare problems.

The steering committee—headed by Joseph C. Wilson, Chairman of the Xerox Corporation, who also chaired the Arden House Conference—urged sweeping reforms in the welfare system but said it found the present system so bad that it doubted any "tinkering" would evolve a satisfactory program.

Indictment of the present system was unanimous, as was the major recommendation for an income maintenance system and another recommendation that government, as a long-range goal, should pursue policies and actions leading to productive employment for all who can work.

The steering committee was named by Governor Rockefeller last November following a two-day meeting at Arden House called to help plan new approaches to public welfare in the United States. Almost 100 leaders from industry, labor, philanthropy, communications, and government from 14 states and 12 cities within the State participated in the Conference, which commemorated the 100th anniversary of the New York State Board of Social Welfare.

The committee's report was made to all members of the Arden House group at a Public Policy Forum of the Committee for Economic Development held in New York City on May 8. That meeting was attended by the Arden House conferees and approximately 250 CED trustees from various parts of the country.

Among the highlights of the Committee's report were :

(1) The present system of public assistance does not work well. It covers only 9 million of the 30 million Americans living in poverty. It is demeaning, inefficient, inadequate, and has so many disincentives built into it that it encourages continued dependency.

(2) It should be replaced with an income maintenance system, possibly a negative income tax, which would bring all 30 million Americans up to at least the official federal poverty line. Such a system should contain strong incentives to work, try to contain regional cost of living differentials, and be administered by the Internal Revenue Service to provide greater administrative efficiency and effectiveness that now exists.

(3) A system of uniform national standards for public welfare should be established to provide a federal floor below which no state would be permitted to fall and no person would be expected to live.

(4) Much more effective and intensive family planning information should be made available to all families on public assistance.

(5) A systems approach to poverty and public welfare is worth exploring to see if it might yield some data or show some relationships which are not known.

(6) Solid research is virtually unknown in public welfare. Less than one-tenth of 1 percent of welfare funds are spent for that purpose. Rarely has so costly a program operated with so little knowledge. More research is urged in all aspects of the public assistance and other public welfare programs.

(7) Until a new system of income maintenance, after thorough study, is adopted, the present welfare system needs drastic and immediate reform.

Among the major changes urged are :

(a) The aged, blind, and disabled, who constitute two-thirds of the public assistance cases, should be transferred to Social Security.

(b) The "man in the house" rule, still in effect in 28 states and the District of Columbia, should be abolished because it destroys family stability, encourages deceit and deception, and costs more money to enforce than it is worth.

(c) Incentives to work should be liberalized, and all possible steps including "transition" allowances, should be taken to encourage the move from welfare to work.

(d) A large expansion of day-care facilities is vital to enable welfare mothers with preschool-age children to work, if they can. These programs should be educational as well as custodial.

(e) An affidavit system to determine eligibility, with spot checks similar to those used by the Internal Revenue Service, should replace the costly, demeaning, and inefficient investigations now used almost universally. This would free scarce staff to try to keep people off the assistance rolls, instead of making certain they stay on.

(8) Staff turnover in public welfare departments averages close to 30 percent a year, with some states in excess of 40 percent. This is evidence of crippling inefficiency. Of the 110,000 people employed in the field, less than 2,000 have a degree in social work or the equivalent. This professional group also has a job turnover in excess of 20 percent a year. With this condition, there can be little effective casework or continuity between client and staff.

(9) Improved health, education, and housing are vital if the cycle of dependency is to be broken. Unless welfare recipients, and particularly the youngsters, are given the strengths, capabilities, and resources to break that cycle, future generations will bear the high social and economic costs of this discrimination. Failure to act continues a trend toward polarization of the country into white and non-white communities—a type of apartheid by default.

(10) Jobs and training for jobs are vital parts of any effort to reduce dependency on welfare. While the private sector can do much, and is now making a considerable effort to provide jobs and training opportunities, government, as a long-range goal, should pursue policies and actions leading to productive employment for all who can work.

(11) The lack of legislative action on various proposals for needed reform costs taxpayers huge sums, and prevents effective change.

(12) Unless our country, including our northern cities, solves the problems of the slum areas, the nation stands in danger of being torn apart.

(13) The Committee does not expect that its recommendations can be carried out without further analyses, studies, public awareness, experimentation, and demonstration, but it urges that these not be used as excuses for inaction and that steps be taken as quickly as possible to implement these suggestions.

In a foreword to the report, Mr. Wilson said:

"We are terminating our activities at this time humbled by the magnitude of the task but wiser as a result of our participation. As a group, we are committed to the idea that the facts and figures as we have come to know them be made available to all Americans.

"We know that both our personal and social responsibilities have only just begun. Armed with appropriate knowledge, we are convinced that the American public will join in the effort required to close the poverty gap of their 30 million fellow Americans."

Members of the steering committee were:

Joseph C. Wilson (Committee Chairman), Chairman of the Board, Xerox Corporation

Joseph C. Block, Chairman of the Executive Committee Inland Steel Company

John A. Coleman, Senior Partner Adler, Coleman & Co. (N.Y. Stock Exchange)

Gilbert W. Fitzhugh, Chairman of the Board Metropolitan Life Insurance Co.

Philip M. Klutznick, Managing Partner, KLC Venture, Limited

Gustave L. Levy, Chairman of the Board of Governors, New York Stock Exchange

Baldwin Maull, Chairman of the Board, Marine Midland Corporation

Arjay Miller, Vice-Chairman of the Board, Ford Motor Company

Alfred C. Neal, President, Committee for Economic Development

A. L. Nickerson, Chairman of the Board and Chief Executive Officer, Mobil Oil Corporation

Harvey C. Russell, Vice President, Community Affairs, Pepsico, Inc.

Samuel J. Silberman, Chairman of the Board, Consolidated Cigar Corporation

Victor Weingarten, of New York, who was director of the Governor's Conference on Public Welfare, also headed the staff which worked with its steering committee.

MAKING PUBLIC WELFARE POLICY

A SUMMARY OF OPINIONS FROM SEVEN GRASS ROOTS MEETINGS ON PUBLIC WELFARE PROBLEMS

Scores of suggestions for improving the public welfare system were made at seven regional conferences sponsored by the New York State Board of Social Welfare throughout New York State during February and March.

The conferences, held as part of the Board's 100th Anniversary, were follow-ups to the Arden House Conference at which representatives of industry, labor, philanthropy and mass media discussed possible new approaches to the welfare problem. Two hundred thirty-nine persons appeared at the meetings, which were held in Long Island, New York City, Albany, Binghamton, Syracuse, Buffalo and Rochester.

Speakers included public officials, attorneys, physicians, representatives of religious, civic, health and welfare organizations, chambers of commerce, taxpayers associations, farm bureaus, business and labor, and welfare recipients.

Almost without exception, all speakers criticized various portions of the present welfare program, but with the exception of three speakers from one rural upstate community, no speaker advocated regressive or punitive measures. All urged various reforms to liberalize the system, make it less demeaning and more effective and constructive. In virtually every community, there was sharp agreement on the following:

(1) A vast expansion of day care facilities for preschool-age children to enable mothers now receiving public assistance to return to work.

A survey of welfare mothers in New York City, which revealed that 70 percent wanted to work, was borne out by testimony throughout the State.

(2) Deplorable housing was cited in every community as a pressing problem. In New York City alone, it was disclosed, the public welfare department pays almost \$200 million annually in rents for generally sub-standard housing. Experimentation with welfare department-sponsored housing was urged in some communities.

(3) Lack of transportation in many parts of the State makes it difficult for welfare recipients to obtain work. Testimony showed that jobs are available, but there is almost no transportation to help a slum resident get to the job.

Lack of transportation also made it difficult for welfare recipients to shop at supermarkets and to get adequate medical care in many instances.

(4) Abolition of the system of mandatory verification and substitution of an affidavit to determine welfare availability were recommended in every region.

Not only would these measures save money, but they would enable scarce staff to spend its time helping people get off the welfare rolls instead of making certain they stay on, testimony disclosed.

In New York City, where an affidavit system has been used for two pilot areas, preliminary results show the system works as effectively as the mandatory investigation.

(5) Better job training and employment programs geared to existing jobs were cited as high priorities.

(6) More effective and intensive family planning information was widely recommended. One novel suggestion was that married women of child-bearing age whose incomes are below the poverty level receive \$500 bonuses for each year they do not have a child. Such payment, the speaker said, would cost less than the cost of having a child on public welfare.

(7) Some critics of the system said the public assistance program had "too little cash and too much control." A caseworker told the Board that "the traditional, accepted way for a widow with children to rehabilitate herself is to remarry, but if she has a man over for dinner, she risks both social and legal embarrassment under the current welfare system."

One proposal was that in the event a welfare recipient with children remarries, her new husband not be required to provide funds for the care of children by a previous marriage. It was testified that this would help restore a large measure of stability to many fatherless homes.

(8) Abolition of the present welfare system and substitution of an income maintenance program was recommended by many speakers. Some favor a form of universal children's allowance; others a negative income tax; some said either would be preferable to the current program.

Detailed proposals for both forms of income maintenance were many. One suggestion was that a children's allowance of \$50 a month be paid universally only for preschool-age children.

A second was that an annual stipend of \$500 be paid for the first child until he reaches 18 years of age and that payments for the support of succeeding children should decline with each additional child, but a minimum of \$200 per child should be established.

There were almost as many specific proposals as there were economists testifying.

A Syracuse University economist testified the nation now has two kinds of welfare, one of which is acceptable, the other the object of scorn. The middle class, he said, gets public assistance in the form of unemployment insurance, workmen's compensation, and tax deductions for mortgage loan costs and for taxes on real property. These "hidden welfare measures" for the middle and upper classes are dignified and politically untouchable, while welfare for the poor is exposed and humiliating. "This dual welfare system is unjust and must be corrected," he said.

(9) Utilization of more welfare clients as case aides in welfare departments was urged in some of the regions. New York City Commissioner of Social Services, Jack R. Goldberg, testified that 1,200 such aides were now employed by his department; that they were working well; and that most had been unemployed for five or more years before being given these new jobs.

(10) Despite open invitations by State Board Chairman Hugh R. Jones for "irate taxpayers" to come forward, none appeared. Three individuals from rural upstate testified they felt the names of recipients in their counties should be made public, and one suggested that a farmer who was receiving supplemental assistance, as well as an allowance for fuel oil, should be made to cut his own firewood so that the oil allowance could be discontinued.

That was the extent of the "punitive" approach heard by the Board.

(11) Representatives of several chambers of commerce and counsel for the New York State Taxpayers Association all offered constructive suggestions for the improvement of welfare programs and administration.

Many speakers urged a total overhaul of the welfare system, with the Federal Government taking responsibility for providing the funds under some form of income maintenance and the State and local governments assuming the major responsibility for the social services that would be required under any federal system.

(12) Elimination of the various categories of public assistance was seen as a source of saving.

(13) Welfare recipients were frequently eloquent in their testimony which dealt with the minutiae of life on slim budgets. Several urged that personal allowances be paid to ease the transition from welfare to work. They pointed out that welfare subsistence was, at best, meager, and generally has with it a backlog of deprivation. Once a person is employed, the need for modest funds to "catch up" with that backlog is normally beyond the salary earned. A "transition allowance" which would continue welfare payments at some reduced scale for three to six months would not only help ease the shift but encourage many more people to try to obtain employment, they said.

Testimony was given that a sampling of persons living in poverty in various parts of the country showed:

"The poverty population is (a) highly motivated to work their way out of poverty, (b) shares conventional middle class standards, (c) wants self-help assistance to enable them to get out of poverty more than they want generalized services aimed at making their existing situation more bearable, (d) are more desirous of improving their neighborhoods than moving out of them, and, above all, (e) are deeply concerned about their children's education."

Other witnesses testified that the State should assume more of the cost of welfare and that no city be required to pay more than 25 percent of the total cost. At present, some localities, like New York City are saddled with a larger share of welfare costs than local officials believe is fair. One public welfare administrator said that salaries for welfare workers must be made more attractive if the turnover is to be reduced. In her community, she said, the annual staff turnover is close to 40 percent. She estimated it cost almost \$5,000 to train a caseworker and that this price was even more costly to the welfare recipient because there was not sufficient continuity of services.

Many welfare recipients complained about the high staff turnover, pointing out that before they had an opportunity to establish a relationship with

one worker, they had to build a relationship with a new one. Several complained about the attitude of caseworkers assigned to them, alleging that many have rigid middle class standards and treat them with scorn and disdain.

There was testimony that if more welfare recipients could be trained as case aides, it would help establish a closer rapport with the clients served.

Speakers in several communities suggested that educational criteria for caseworkers be reviewed and that the college degree requirement be dropped for many categories where a degree is not essential for the competent performance of the job.

A sharp attack on the provisions of the new federal welfare law which freezes the rolls at their present level was made by several witnesses, who also said they were opposed to forcing welfare recipients to take jobs that are dead-end, manual, poorly paid, and provide no opportunities for advancement.

The role of the government as an employer of last resort was supported by speakers at virtually every conference. Other speakers testified that even though the new federal welfare legislation granted a 13 percent increase in social security benefits to the aged, welfare recipients under the old age and survivors insurance program did not receive any actual cash benefits from that increase because the additional amount was deducted from their welfare checks. Such action condemns the aged welfare recipient to a substandard existence without any hope of raising his level of living, it was testified.

It was obvious that the impact of the Arden House conference was felt in many communities, and that the caliber of its industrial leadership had telling effect among individuals and organizations who would normally be expected to oppose reform.

The changed and more enlightened attitude toward the program was indicated in an editorial in the Rochester, N.Y. *Democrat and Chronicle*, following the Board meeting in that city. After citing some of the testimony, the editorial said :

"These samples help to show that what we glibly brand as 'welfare' worries are really the aches and pains of society itself. A redrafted welfare act, simplifying procedures with a positive accent, would help, but no legal rhetoric can ever relieve a community of involving itself in the problems of the needy any more than an affluent citizen can wash his hands of the matter."

In New York City, where two days were devoted to hearing testimony, City Council President Frank D. O'Connor proposed that a federal-state urban "homestead" program be established to subsidize the purchase of homes and apartments by the poor. Such subsidized home ownership, he said, would :

"Give the poor a secure family base many of them do not now have.

"Make more constructive use of welfare and rent supplement money that now goes 'down rat holes' as rent for substandard apartments.

"Encourage the poor to keep their homes in good repair."

Mr. O'Connor also said :

"The security of the middle class in their homes and environment has much to do with their children's achievement in school and work. And that, after all, is what we all want : to save the dropout and get him on the employed rolls."

He said welfare payments and guaranteed family incomes "are eventually meaningless unless they lead to ownership of a patch of land or a piece of real estate, however small or circumscribed."

The "save people, not money" theme which dominated the Arden House conference, also dominated the Board's regional meetings.

III. MEDICAID

One of the oldest welfare programs in the world is the care of the sick. In the United States, ever since colonial times, medical care has been available to individuals who need it but cannot afford to pay for it through voluntary and public institutions. Such care has been made available in New York State through public welfare, probably because sickness is the greatest single cause of public welfare expenditures. In New York State, and elsewhere, the sick, the disabled, the blind, and the aged comprise one-fifth of the public assistance caseload but account for two-fifths of such costs.

Consequently the Medicaid program authorized in New York State on April 30, 1966, gave great promise of providing preventive and treatment services for families and individuals that would check and eventually reverse this tremendous social and financial toll.

The first year of Medicaid indicated this exciting possibility.¹ Also, a study indicated that this needed care was being given to non-welfare recipients in households whose average gross weekly income was \$61. Almost two-thirds of these households had no private health insurance, and over nine-tenths did not have sufficient income to pay any part of the cost of Medicaid services, including the deductible amount for families and persons with modest incomes.

But the Federal Government cut back on its commitment for reimbursement. That cutback meant, to take a medically indigent family of four as an example, that the Federal Government—effective July 1, 1968—would not share in Medicaid expenditures, however necessary they might be for such a family, if its gross income exceeded by 50 percent the welfare standard for the same size family. It went further. It reduced the percentage to 40 percent by January 1, 1969, and to 33⅓ percent by January 1, 1970.

In many states that restrictive policy will eliminate federal help for needed medical care for hundreds of thousands of the lowest-income, poverty-level families and individuals in the nation. In New York State it means denial of federal funds for the needed medical care of thousands of families and individuals who are truly medically indigent. It also means shifting to the State and its localities an impossible share of the financial burden of the Medicaid program. And it means a much more limited scope of medical care.

Governor Rockefeller appointed a committee to make an immediate, emergency study of the problem and to make recommendations as to the best way of coping with the new federal legislation. The committee was composed of Commissioner Wyman; State Health Commissioner Hollis S. Ingraham, and Commissioner John J. Burns of the Office for Local Government. The management consulting firm of Peat, Marwick & Company was retained to assist the committee.

In its report to the Governor in January 1968, the committee said:

(1) Medicaid had proved to be a valuable mechanism for protecting the health of a large number of citizens.

(2) The program would nevertheless have to be curtailed to avoid intolerable increases in State and local expenditures.

(3) The first line of defense for the protection of the public's health should be a program of universal health insurance. Medicaid, its scope greatly diminished thereby, should be retained as the second line of defense to protect those who are medically needed and those whose health insurance benefits have run out.

Governor Rockefeller concluded: "In view of the already heavy burden on our local governments and State Government, it is impossible to absorb this added expense. . . . Consequently, we are simply going to have to revamp our Medicaid program to reduce its cost." The Governor also said he planned to present "a universal health insurance program that would dovetail with Medicaid to provide New York's citizens with the Medical care they need under the strongest, soundest financial terms."

The Governor recommended revisions in the Medicaid program, but the Legislature went beyond his proposals and reduced the dimensions of the program drastically. However, subsequent amendments were made, and today the legislative framework for New York State's Medicaid program is as follows:

A. *Financial Eligibility Requirements*

1. All recipients of cash assistance and children in foster care continue to be eligible for all medical care and services.

2. The allowable income and resources levels have been changed as follows, for the medical assistance only applicants.

a. Income: Annual net income (number of family members in a household and family members for whom they are legally responsible or have assumed responsibility)—One, \$2,300; two, \$3,300; three, \$4,200; four, \$5,300; five, \$6,000; six, \$6,800; and seven, \$7,600.

Such income exemptions shall be increased by six hundred dollars for each member of a family household in excess of seven.

b. Resources: The first \$1,000 of savings, including cash value of life insurance, is exempt as a burial fund. This \$1,000 exemption applies to each member of a family. Additional savings equal to one-half of the annual net income exemption are also allowed. Any savings in excess of this amount will have to be used for medical expenses. The face value of life insurance is no longer a factor in determining eligibility for Medicaid.

¹ See *Medicaid: Year in Review*, published by the Department.

B. Eligibility Requirements other than Financial

1. Single persons and childless couples 21 through 64 who are neither blind nor disabled will generally be excluded from eligibility for any medical care and services. However, medical assistance will be available to such persons under a catastrophic illness provision. This provision authorizes medical assistance to otherwise ineligible persons in the event of a catastrophic illness. Care under this provision is limited to care and services in a medical institution. In such cases, payment by the social services district, shall be limited to the cost of hospital care and services in excess of the *lesser* of either:

a. Twenty-five percent of the recipient's annual net income or

b. The amount by which the recipient's net income exceeds the applicable public assistance standard—e.g. \$1,600 for single persons and \$2,300 for couples.

Once having qualified under the catastrophic illness provision, the recipient and his spouse, if any, shall be eligible for assistance in respect to the total cost of hospital care and services for the period of 12 months.

The resource exceptions applicable to other eligible persons shall also apply to this group.

If, in determining the recipient's eligibility under the catastrophic illness provision, the amount of his income above the public assistance levels is utilized, the recipient will be eligible for all medical care and services.

2. Persons who meet the financial eligibility standard and who are either:

a. under 21 or 65 years of age or over, or

b. the spouse of a recipient of public assistance, or

c. for reasons other than income and resources, eligible for Aid to the Blind, Aid to the Disabled or Aid to Dependent Children are eligible for all medical care and services.

It is estimated that this revised Medicaid program would reduce potential eligible beneficiaries by 2.2 million and actual beneficiaries by 1 million in the next fiscal year.

A HEALTH SECURITY PROGRAM

A comprehensive plan to meet the health needs of the people of New York State was presented by Governor Rockefeller in March 1968. Its major objectives are:

(1) To assure basic hospital benefits to 15.7 million New Yorkers, virtually the entire population under 65 years of age. The cost to both employees and employers would be limited and the State, in appropriate cases, would contribute to meeting the expenses exceeding these limits.

(2) To establish an effective hospital cost control system.

The basic health benefits would include 120 days of semi-private in-hospital care and ancillary hospital services; 100 days of home care; hospital outpatient diagnostic services; and hospital outpatient care for accidental injury or emergency illness.

Each employee's contribution to the health insurance system would amount to two percent of his wages or one-half the actual cost of providing the coverage, whichever figure is the lower.

The hospital cost control system would be based on such measures as State approval of rates to be paid by all government agencies and health insurers, incentives for efficient management, and the establishment of a statewide, uniform cost accounting and cost-finding system.

The plan also provide for establishment of a Health Benefits Commission, in the Department of Health, consisting of the Commissioner of Health, the Superintendent of Insurance, the Commissioners of Social Services and Mental Hygiene, and five public members appointed by the Governor, to administer the program.

IV. ABOUT PEOPLE . . .

In 1967 the public social service system in the State gave needed care and service to a monthly average of 1.3 million men women, and children. The recipients were about equally divided between children and adults.

CHILDREN

Here is a brief statement about the children who were helped and how:¹

Public assistance.—588,000 received financial assistance because of the death, desertion, disability, unemployment, or inadequate earnings of a parent.

¹ Figures represent approximate monthly averages, except where otherwise indicated.

Foster care.—48,000 were cared for in institutions or in foster family homes because they were without parents or relatives able to take care of them in homes of their own. (Over 2,000 were adopted in 1967.)

Training schools.—2,100 juvenile delinquents and boys and girls with special problems were in the State's training schools and training centers, and 3,700 others, released from these facilities, were under supervision of community-based parole and casework units.

Medicaid.—170,000 children were given health care each month.

Blind services.—More than 500 blind children were helped in 1967 through Commission for the Blind and Visually Handicapped services given to their parents and to agencies to assist the parents in understanding and planning for blind youngsters.

Other Help.—Thousands of other children were aided through services to unwed mothers; advice and guidance to parents on child-rearing problems; home-maker and day-care services; and efforts to prevent child abuse.

ADULTS

This is a listing of the adults who were helped and how: ²

The aged.—70,000 were given old-age assistance because of financial need. 3,500 other needy aged were cared for in public homes and infirmaries.

The disabled.—37,000 got assistance because they were totally and permanently disabled and unable to support themselves. An additional 65,000 disabled persons were aided in 1967 through the Department's adjudication of their claims for social security benefits—a service the Department performs for the Federal Government.

The blind.—3,100 needy blind persons received assistance to the blind. An additional 11,000 blind adults, not on public assistance, received services during the course of the year from the Commission for the Blind and Visually Handicapped, including home-teaching, vocational rehabilitation, and other needed help.

The sick.—290,000 men and women got medical care under Medicaid. In addition, 27,000 persons 65 years of age and over received care in State mental hospitals through Medicaid, and another 1,500 released mental hygiene patients, in boarding homes, received needed public assistance.

Other adults.—288,000 adults (in addition to the aged, disabled, and blind) obtained public assistance or care because of financial need. Included were more than 196,000 on the aid to dependent children rolls, the great majority of whom were mothers taking care of children. 91,000 other needy adults were on home relief because they were jobless, unemployable, or working full-time (some two jobs), but their income was not sufficient to support their families. 1,100 other adults, mostly men, were in municipal shelters for the homeless.

V. ABOUT PROGRAMS . . .

Space limitations and general reader interest preclude definitive reporting of the many developments, changes, trends, and actions in a field of public service involving three levels of government, scores of programs and services, a constantly changing population of 1.3 million welfare and Medicaid recipients, the yearly expenditure of \$1.9 billion, and tens of millions of administrative actions annually.

Some representative developments, however, are recorded in this section to give the reader some idea of the kinds of activity, experimenting, progress, and trends in 1967.

Work Incentives.—An experimental project designed to reduce the number of unemployed adults on welfare was started in New York City. It permits parents on the aid to dependent children rolls to keep the first \$85 they earn each month, plus 30 percent over that \$85—without having their welfare grants reduced proportionately—until they become self-supporting.

Welfare Grants Increased.—Rising living costs necessitated an increase in welfare grants. The increase averaged \$7.65 monthly for a family of four consisting of a father, mother, a boy of 13 and girl of 8. (The total monthly grant for food, clothing, personal incidentals, utilities and household and school supplies is \$182.00. Rent and heat are not included in this total because these items vary too much from locality to locality to be included in the example.)

² Figures represent approximate monthly averages, except where otherwise indicated.

Food Stamps.—This program, which makes it possible for welfare and other low-income families to obtain more food for their money, was extended to Cattaraugus, Clinton, Niagara, Wayne, and Wyoming Counties and the City of Jamestown, Erie County has been in the program since 1966, and Schoharie County will be added in July 1968.

Welfare Appeals.—A sharp rise occurred in the number of appeals welfare recipients and applicants have made to the State Department of Social Services from decisions of local departments. From a total of 650 in 1966 the number increased to more than 4,200 in 1967, approximately 3,300 of which originated in New York City, where organized welfare recipient groups have been campaigning for better welfare grants and services.

Simplifying Welfare.—A demonstration project in New York City is testing the feasibility of determining eligibility for public assistance on the basis of an affidavit or declaration form, somewhat similar to an income tax form in that it lists the income and other resources of the applicant, if any. Full-scale investigation would be made of one of every 20 accepted applications, instead of every application, which is the current practice.

Improving Welfare Administration.—Representative efforts to increase efficiency in welfare operations include:

A project being carried out with the State Division of the Budget to have local services departments develop annual work plans which the State can use as a guide in supervision and evaluation of operations.

Installation of data processing systems in Rockland and Sullivan Counties as a pilot project to determine whether such equipment can be used productively in 40 other local departments.

Development of a uniform billing system which will enable all providers of medical services—hospitals, physicians, dentists, and others—to use the same billing procedure. Heretofore many of the 64 local departments had their own procedures, and providers of medical services had to use several different methods and different forms, in billing for their services, depending upon where the patients lived.

Indoctrination of new welfare employees has been expedited and improved through the use of six films and videotapes. Entitled "Human Factors and Social Services," these training materials are being used in social services departments and on closed-circuit educational TV.

Rehabilitating Delinquent Children.—A new approach to helping delinquent children through out-of-institution care was started in 1967. Responsibility for parole services was transferred from the State training schools, where they had constituted a supplementary function, to two major Community Services Bureaus, which concentrate on parole as one of their major functions. One of the bureaus serves New York City and nine nearby counties, while the other covers the remaining counties.

Among the measures taken to provide a more comprehensive program of community-based services under the supervision of the bureaus are:

(1) Expansion of direct care resources, including group residences (14 to 20 children), group homes (seven to ten children), and boarding homes (one to six children);

(2) Extension of casework units into large urban counties; and

(3) Decentralization of casework units in New York City into neighborhood locations.

As part of the change-over, the Division of Children's Services will operate three New York City facilities formerly operated by the State Division for Youth: two group homes and a START (Short Term Adolescent Resident Training) center for girls.

More Help for the Blind.—The Commission for the Blind and Visually Handicapped sponsored the college enrollment of 262 blind students, who received assistance ranging from the use of tape recorders to payment of tuition; made special efforts to get employment for blind social workers and vocational rehabilitation counselors; expanded vocational opportunities for the blind through establishment of vending stands at rehabilitation centers of the Narcotics Addiction Control Commission; and worked with the State Education Department in planning vision-screening programs for preschool children in the State.

Locating Deserting Parents.—The Bureau of Registry and Location of Deserting Parents got information on the whereabouts of more than 9,000 deserting parents, and in 3,600 additional cases it turned up other information that was useful in effecting parental financial responsibility for the care of children.

Emergency Welfare Service.—The Bureau of Emergency Welfare Service trained more than 100 persons as welfare managers for local civil defense organizations; surveyed the Department's institutions to determine their capability to protect the resident population and staff from radioactive fallout and made recommendations for necessary changes.

Fund-Raising.—The Department is studying a new trend in raising funds for charitable organizations: the increasing use, by charity groups, of commercial or profit-making organizations, such as recreation centers, sports arenas, television stations, and so forth. These commercial organizations receive a substantial amount of the funds raised, as payment for the use of their facilities and staffs, thus sharply increasing fund-raising costs and proportionately reducing the funds that go to charity. The public is unaware of these charitable-commercial contractual arrangements, and believes the commercial organizations are donating their facilities and services to the charities involved.

A New Name.—Legislation has changed the name of the State Department of Social Welfare to the State Department of Social Services. Corresponding changes were made in the names of the local departments. The name of the State Board of Social Welfare remains unchanged because it is fixed by the State Constitution and was not affected by the Legislature's action.

Film on Adoption.—To stimulate public interest in this subject, the Department produced a film entitled "A Bridge to Adoption." It has been made available without charge to organizations throughout the State, and is also being offered to television broadcasters.

VI. NO ONE CAN STOP IT—EXCEPT US

More than 9 million men, women, and children are on the Nation's welfare rolls today. In the opinion of experienced welfare administrators, the number of other impoverished citizens who could qualify for welfare, if they applied for it, range as high as another 9 million. This may or may not be true, in whole or in part. But it is a well-known fact that many Americans, especially the aged, are reluctant to ask for help—public welfare especially—even though their personal situations may be desperate.

But the welfare population and its costs are increasing. One reason is that poverty groups have been organizing the poor and encouraging the legally qualified among them to apply for welfare. And these organizations have been fighting for better assistance standards. Another reason for rising rolls and costs is that skyrocketing hospital and medical fee schedules are putting health care out of reach of millions of people in the United States, especially the low-income groups who are not covered by hospital and medical insurance or whose coverage is all but a fiction in the grim reality of today's hospital costs and medical fees—and is becoming more and more of a fiction, month by month, all across the country.

Rising health costs have forced an increasing number of individuals and families, many for the first time in their lives, to apply to a public welfare department for help—help to meet hospital and medical bills that are beyond their ability to pay. And many of these Medicaid applicants and recipients—most of them in the lowest income groups—are learning that they are eligible for partial or total welfare assistance as well, are applying for that assistance, and are getting it. Thus, sickness and disability, the greatest single cause of welfare costs, will contribute substantially to the acceleration of welfare caseloads and expenditures.

Another factor is the low public assistance grant—in many states as low as a few pennies a day per person for food, rent, clothing, and other necessities of life. It is from this government-sponsored economic and social underworld that annually come the hundreds of thousands of hunger-driven, sick, undereducated, and underskilled immigrants who crowd our cities looking for something better—and adding to America's hard core health-welfare-education crisis.

Unless we check and reverse all this, our welfare-Medicaid population will rise from 9 million to 16 million in the next five years, and costs will jump from \$9 billion to \$18 billion (this has been the rate of increase from 1962 to 1967).

No one can stop it—except us, the people of the United States.

APPENDIX A

THE STATE BOARD OF SOCIAL WELFARE

Hugh R. Jones, ¹ Chairman	Utica.
George F. Berlinger, Vice Chairman	New York.
Mrs. Omar Adams	Niagara Falls.
David Bernstein	Binghamton.
Dr. John M. Galbraith	Old Westbury.
John P. Hale	Bronx.
Dorothy I. Height	New York.
Mrs. Alexander E. Holstein, Jr.	Syracuse.
Dr. Arthur G. Hopkins ²	Brooklyn.
Theodore C. Jackson	Jamaica.
Edward J. Johannes, Jr.	Buffalo.
Richard G. Kimmerer ³	Albany.
Frederick A. Klingenstein	Rye.
Jose Lopez	Flushing.
Mrs. Donald E. McConville ⁴	Rochester.
Dr. Leslie Hughes Tisdall ⁵	Brooklyn.

¹ Reappointed February 15, 1968.

² Resigned November 21, 1967.

³ Resigned March 9, 1967.

⁴ Reappointed February 15, 1968.

⁵ Appointed February 15, 1968.

APPENDIX B

THE DEPARTMENT OF SOCIAL SERVICES

George K. Wyman	Commissioner
George W. Chesbro	First Deputy Commissioner
Clifford P. Tallcott	Deputy Commissioner, Division of Welfare Administration
Felix Infausto	Counsel and Board Secretary
Joseph H. Louchheim	Deputy Commissioner, Division for New York City Affairs
C. Carlyle Nuckols, Jr., M.D.	Deputy Commissioner, Division of Medical Services
Robert Shulman	Deputy Commissioner, Division of Children's Services
James J. Sullivan	Deputy Commissioner for Board Affairs
Eleanor Walsh	Deputy Commissioner, Division of Family Services

APPENDIX C

AWARD WINNERS

The New York State Board of Social Welfare was cited by the New York State Welfare Conference "for its historic contribution to our social welfare structure."

Chairman Hugh R. Jones was given a Conference award "for his outstanding citizen leadership to social welfare in the State and Nation."

Commissioner George K. Wyman received the Blanche Ittleson Award for special services in the fields of social work and social welfare in recognition of his "leadership in social action and championship of concepts of social welfare philosophy and practice, which has produced better service in meeting new and changing conditions in the State of New York."

APPENDIX 4

THE FAMILY ALLOWANCE

By MARTIN SCHNITZER, Professor of Finance, Virginia Polytechnic Institute

In the United States many persons and groups of diverse political persuasions advocate some form of a guaranteed income as a device to eliminate poverty. Most proponents of an income guarantee visualize the use of an income transfer through the existing tax system in the form of a negative income tax. A minority favors the use of a family allowance in which transfer payments are made on the basis of the number of children in a family. Precedence exists for the use of the family allowance because all major industrial countries use it; this fact, however, does not mean that the United States should rush to adopt it.

In this prepared statement, the family allowance systems of five countries—Canada, Denmark, France, Great Britain, and Sweden—will be compared. It is appropriate that these countries should be used, for all are advanced and modern industrial countries. Canada and Sweden are second and third among countries in the world in terms of per capita income.

Family allowances are regular cash payments to families with children, and are usually financed by a tax on employers or out of general government revenues. The amount of the family allowance is either the same for all children, or it increases progressively with the number of children in the family. In some countries the family allowance varies with age. Generally, there is a cut-off point for eligible children, which ranges between 14 and 18 years; however, this cut-off point may be extended for children who are in school. The allowance is available to all families regardless of income; however, it may or may not, depending on the country, be subject to the personal income tax.

THE CANADIAN FAMILY ALLOWANCE

The Canadian family allowance was introduced in 1944. There were several reasons for its adoption which were as follows:

1. The Marsh Report, which was the Canadian counterpart to the Beveridge Report of Great Britain, appeared in 1943. In this report, a proposal for a family allowance was presented. The Beveridge Report had recommended the adoption of a system of family allowances as part of a postwar social security system for Great Britain. The Marsh Report visualized the same purpose for family allowances in Canada.

2. There was concern in Canada over the problem of maintaining full employment after the end of the Second World War. It was felt that the family allowance would stimulate aggregate demand—the Keynesian influence on Canadian economic thought was strong—since it would redistribute income to families in the lower income brackets where the marginal propensity to consume is the highest.

The current Canadian family allowance is paid to every child under 16. The allowance is \$6 a month for each child under 10 and \$8 a month for each child between the ages of 10 and 16. There is also a youth allowance which was recently put into effect, and which is payable at the rate of \$10 a month for youths aged 16 or 17. The allowance is normally paid to the mother and is not subject to a means test. It is paid from the Consolidated Revenue Fund of the Canadian Government. It does not constitute taxable revenue, but there is a smaller tax exemption for children eligible for the allowance.¹

¹ Exemptions for children receiving the family allowance amount to \$300 per child; exemptions for children not receiving the allowance amount to \$550 per child.

In 1966 the average monthly family allowance in Canada was \$16.59. This amounted to approximately 3 percent of the average gross monthly income for the typical Canadian family. The allowance was paid to 2,785,636 families with 6,865,057 children. The total cost of the family allowance was \$551,734,824. This amounted to 12.7 percent of all social security expenditures in Canada—federal, provincial, and municipal—and 19.1 percent of federal expenditures on social security. When compared to Canadian national income, the family allowance amounted to 1.4 percent.

The value of the family allowance varies inversely with the level of income. Although payments are low for such a high income country (the average gross family income is around \$6,500 a year), they can amount to a significant proportion of total income to low income families. For example, a family with three children under 10 and with an income of \$1,500 a year would receive \$216 a year—14 percent of earned income. If the three children are between the ages of 10 and 16, the family allowance would amount to \$288 a year. In terms of closing a poverty gap, the Canadian family allowance would only make a partial contribution. For example, if the Council of Economic Advisers poverty line income of \$3,000 a year for a family is applied to Canada, the above mentioned family with the income of \$1,500 a year would receive from \$216 to \$288 in family allowances depending on the ages of the children. This would work out to a maximum of \$1,788 a year, a figure which is far short of the poverty line income of \$3,000.

The average monthly family allowance has remained virtually unchanged over the last five years as the following table indicates.

TABLE I.—Average monthly family allowance payments in Canada

	<i>Average monthly payments</i>
1963 -----	\$16.63
1964 -----	16.67
1965 -----	16.68
1966 -----	16.59
1967 -----	16.42

Source: Department of National Health and Welfare, "Social Security in Canada," Ottawa: 1967.

The family allowance, when expressed as a percentage of total transfer payments via social security expenditures for federal, provincial, and municipal levels of government, is declining in relative importance. For example, the family allowance in 1959 amounted to 16.3 percent of total transfer payments; however, in 1967 the allowance amounted to 12.5 percent of total transfers. There appears to be a tendency in Canada, as well as in many other countries, to raise the allowance only periodically.

The income redistribution effects of the family allowance form an interesting pattern in Canada.

1. There is income redistribution between provinces with lower income provinces, such as Newfoundland gaining in terms of the benefits of the allowance as opposed to the cost, and upper income provinces, such as Ontario, losing in terms of benefits as opposed to costs. The family allowance, when expressed as a percentage of average family income, varies from around 5 percent in the poorest Canadian province (Newfoundland) to about 2 percent in the richest province (Ontario).

2. There is horizontal income redistribution between individuals and families within the same income group, meaning simply that individuals and families with no children lose while families with children gain. A family with no children receives no allowance but pays income taxes which finance the family allowance. A family with children pays income taxes but may get back more than what it paid in the form of the allowance.

3. There is also vertical income redistribution in that families that make above \$9,000 a year lose in terms of cost-benefits (the cost of the allowance is greater than the benefit of the allowances), and families with incomes of less than \$9,000 gain in terms of cost-benefits.

4. The progressivity of the Canadian income tax is reduced by the family allowance for the reason that it is exempt from taxation.²

THE FAMILY ALLOWANCE IN DENMARK

The family allowance in Denmark is different from allowances paid in the four other countries because it is based to a certain extent on need. Families with incomes below a prescribed standard receive an additional allowance, called a general allowance. The family allowance is paid to all Danish families and is not subject to the Danish income tax.

The family allowance was introduced in 1949 and has been revised on a number of occasions. The Danes regard it as a device which is partial compensation for the levying of a series of indirect taxes which culminated with the adoption of the value added tax in 1967. In 1960 tax exemptions of 600 to 800 kroner per child were abolished for income tax purposes, and the family allowance was used as a replacement.³

The current family allowance arrangement entails the payment of 780 kroner per child per year for the first four children in a family, and payment of 830 kroner per child for the fifth and subsequent children. There is an additional allowance of 350 kroner per child for families in which there is a single mother or father. In terms of U.S. currency the family allowance amounts to approximately \$110 a year per child.

Payment of the family allowance can be illustrated as follows :

	<i>Kroner</i>
Families with 1 child.....	780
Families with 2 children.....	1, 560
Families with 3 children.....	2, 340
Families with 4 children.....	3, 120
Families with 5 children.....	¹ 3, 120

¹ Plus 830 kroner for the 5th, 6th, 7th child, etc.

The average gross income in Denmark is around 30,000 kroner a year, and the average net taxable income is 23,000 kroner. An average Danish family consists of three persons. In terms of ratios, the family allowance would constitute about 3 percent of average gross income and about 4 percent of average net taxable income.

For families or single persons with low incomes, there is an addition to the allowance, which is tied on the level of income. If net taxable income is less than 8,200 kroner (\$1,100) a year, a general allowance of 350 kroner a year is paid. If net taxable income is between 8,200 and 8,800 kroner a year, the general allowance is 200 kroner, and if net taxable income is between 8,800 kroner and 9,600 kroner, the general allowance is 100 kroner a year. For single persons with net taxable income of less than 8,500 kroner a year, compensation amounting to 200 kroner is paid.

A measure of the importance of the family allowance in Denmark is provided by a comparison of allowances to income tax revenues against which they are offset in the Danish national budget. In the fiscal year, 1950-51, personal income tax revenues amounted to 727 million kroner and family allowances 89 million kroner. The allowance amounted to 12.5 percent of the gross income tax revenue against which it was offset. For the current fiscal year, 1967-68, the ratio had increased to 17 percent.

² For studies of the redistribution effects of the family allowance see Joseph W. Willard, "Some Aspects of Family Allowances and Income Redistribution in Canada," *Public Policy*, Vol. V, 1954, and Antal Deutsch, "Income Redistribution Through Canadian Federal Family Allowances and Old-Age Benefits," *Canadian Tax Foundation*, 1968.

³ The Danish currency unit is the krone. One krone is worth \$0.145.

THE FRENCH FAMILY ALLOWANCE

Transfer payments, including family allowances, comprise a considerable percentage of personal income in France. The table below illustrates this fact.

TABLE II.—A COMPARISON OF TRANSFER PAYMENTS TO TOTAL FRENCH INCOME

Year	Social welfare payments (in thousand francs)	Total income including transfers (in thousand francs)	Percent
1959.....	31,780	210,391	15.1
1960.....	35,054	233,922	15.0
1961.....	39,803	251,972	15.8
1962.....	46,645	286,018	16.3
1963.....	55,252	318,192	17.4
1964.....	62,957	348,538	18.1
1965.....	70,160	372,540	18.8

Source: Etudes and Conjoncture, No. 1, January 1967.

The French family allowance system is one of the most comprehensive in the world. Unlike the Canadian and Danish family allowances, it excludes the first child in a family and varies in payment according to French regions. It is expressed as a percentage of a set minimum wage, which is 328 francs in the Paris area, and less in other areas. Also unlike the Canadian and Danish family allowances, it is financed by a tax on employers which amounts to 11.5 percent of income per employee up to 13,680 francs a year. A characteristic of the French social security system in general is that it is almost entirely financed by taxes on employers.

The French system of family allowances was started in 1858 at the initiative of several French public employers—the railways and the public administrative service. The Val-des-Bois Works, a private company, introduced a program of family allowances in 1870, in which workers with families received an additional 60 centimes per child per day. In World War I the family allowance was used by a number of French companies to attract scarce workers into employment. It was also used to resist worker demands for higher wages.

In 1932, the family allowance was incorporated into the French revenue and tax system. The rationale for its inclusion was to stimulate the birthrate in order to compensate for the enormous war losses sustained by the French in World War I. Whether or not the family allowance accomplished this objective is a subject for debate.

The current family allowance is based on a rather complicated procedure: Families with more than one child are eligible for an allowance that is computed on the basis of a base minimum salary which is 328 francs (\$65) a month in the Paris area.⁴ This minimum salary is considered to be the minimum that an unskilled worker would receive in the Paris area. It roughly corresponds to a minimum wage which is set by law and which is 2.2 francs an hour in Paris and 2 percent lower in other zones.

The rate of the family allowance is 22 percent of the base salary of 328 francs for the second child, 33 percent for successive children through the sixth child, and a flat 33 percent for all children over the sixth child. However, if the children are between the ages of 10 and 15, an additional increase of 9 percent of the base salary is provided, and for children who are 15 and older, an increase

⁴ This base salary is actually an arbitrary determination on the part of the Government and is considerably less than the minimum income for an unskilled worker which is around \$120 a month.

of 16 percent is provided. However, if a family has two children over 15, the oldest is excluded from the allowance.

The following table illustrates the family allowance and the method of computation.

TABLE III.—ILLUSTRATION OF THE FRENCH FAMILY ALLOWANCE

Number of Children ¹	Percentage of base salary ²	Amount of allowance (in francs)
1		
2	22	72.16
3	55	180.40
4	88	288.64
5	121	396.88
6	154	505.12

¹ The children are assumed to be under 10 for the sake of simplicity.

² The base salary is 328 francs a month.

The average wage for a production worker in the Paris area is around \$190 a month. The family allowance for a worker with three children under 10 would amount to 180.4 francs (\$38) a month. This would represent a transfer payment which would amount to 20 percent of the average wage. If one child is over 10, the allowance would amount to 64 percent of the base salary, or 209.92 francs (\$42) a month. For a family with five children under 10, the allowance would amount to 396.88 francs (\$80) a month, which is almost half of the average salary for a production worker. It is entirely possible for the family allowance to exceed the wage for many low income workers.

The family allowance is exempt from the personal income tax and is paid to all families in France. As mentioned above, it is financed by a tax on employers. A characteristic of the French tax system is the reliance on indirect taxation to produce much of government revenue. Total tax revenues in 1966 amounted to 39 percent of gross national product—the highest ratio for any major country, with the possible exception of Italy.

In addition to the regular family allowance, there are other allowances which are a part of the family allowance system (prestations familiales). There is a single salary allowance for families in which there is one wage earner and the spouse is incapacitated, and allowances for widows with dependent children. In addition, a prenatal allowance of 22 percent of the base wage of 328 francs per month for 9 months and a maternity allowance of 200 percent of the base wage are paid to families. Finally, there is a housing allowance, payable on a monthly basis to families who devote a certain percentage of their income to rent or to house payments.

The family allowance system is divided into four categories:

1. family allowances under the basic system, which are applicable to all wage and salary earners in France;
2. family allowances for the self-employed;
3. family allowances for farm workers; and
4. family allowances for farm operators.

Administration of the family allowance is under separate funds (caisses) at three levels—primary funds, organized on a local or occupational basis; regional funds; and a national fund that acts as an equalization and reinsurance fund for the primary and regional funds. The funds are managed by boards chosen by employers and employees.

Expenditures on the family allowance amounted to 17.2 billion francs in 1966. This amounted to 24.4 percent of total expenditures on social welfare measures in France. On a relative basis, family allowances have declined in importance when compared to other social welfare measures. In 1959 it comprised 30 percent of total social welfare expenditures.

THE FAMILY ALLOWANCE IN SWEDEN

Sweden has one of the highest living standards in the world. In 1965 the average family income was approximately 27,500 kronor (\$5,300) and the median family income amounted to 26,000 kronor (\$5,200). The Swedish social welfare program is one of the most comprehensive in the world, and in 1964 amounted to 16.5 percent of net national product.

The Swedish family allowance was introduced in 1948. Currently, it amounts to 900 kronor (\$175) per child a year. It is paid to every family, rich or poor, out of general revenues, and is not subject to the personal income tax. It is the second largest expenditure item in the Swedish budget, ranking behind expenditures for old age pensions. In 1967 allowances were paid for 1,770,000 children under 16, at a cost of 1.6 billion kronor (\$300 million). This amounted to 1.3 percent of the Swedish gross national product for 1967, 5 percent of the national budget, and 14 percent of total social welfare expenditures on the part of the government.

In addition to the regular family allowance, there are special allowances for families in unusual circumstances. Special allowances are paid to single persons with children, and to orphaned children living with relatives.

The family allowance varies in importance according to the size and income of the family. For example, a family with five children would receive 4,500 kronor (\$900) a year. If the family has an average income of 26,500 kronor, the allowance would amount to approximately 17 percent of earnings. In 1966, 11 percent of Swedish families with five children made less than 12,000 kronor a year (less than one-half of the median family income for the year). The family allowance, to this group, would constitute a sizeable part of total income. For married couples without children, 20.3 percent made less than 12,000 kronor in 1966. The family allowance would provide no addition to their income. It is apparent that transfer payments through the family allowance do make a substantial contribution to low income families with several children, and there is a horizontal redistribution of incomes between families with no children and families with several children, in the same income group.

This can be illustrated by taking two families, both of which have identical incomes of 12,000 kronor a year. One family has no children, the other family has five children. The family with no children would have a disposable income after taxes of 9,980 kronor, and the family with five children would have a disposable income of 14,480. Both families would pay the same amount in taxes, but the family with children would have 4,500 kronor to add to the disposable income of 9,980 kronor.

It is important to note that the Swedish income tax system does not permit deductions for children, since these were replaced in 1948 by the family allowance. It can be said in comparing the U.S. and Swedish tax systems, that a family allowance is built into the U.S. tax system through the use of personal exemptions and deductions which amount to \$700 per child. This means that families in the U.S. receive a children's allowance which, when based on current income tax rates ranging from 14 to 70 percent, varies from \$98 to \$490 per child. This is a saving to the taxpayer rather than an outright grant.

It is evident that an element of negative income taxation exists in the Swedish tax system through the use of the family allowance. At low levels of income, the family allowance more than counterbalances the personal income tax. At high levels of income it is the reverse. The fact is illustrated in the following table.

TABLE IV.—THE SWEDISH INCOME TAX AND THE FAMILY ALLOWANCE¹

Gross income	Family allowance	Income tax	Gain or loss
\$1,200.....	\$360	\$40	+\$320
\$2,000.....	360	204	—156
\$3,000.....	360	525	—165
\$4,000.....	360	860	—500
\$6,000.....	360	1,660	—1,300
\$10,000.....	360	3,560	—3,200
\$20,000.....	360	9,560	—9,200

¹ A family of 4 is used, and kronor were converted into dollars to facilitate comprehension. The Swedish personal income tax used is an average of the national and municipal rates applicable to various income levels. The family is entitled to deductions of 2,250 kronor for husband and wife, but there are no deductions for children. The family allowance is \$180 for each child per year.

THE FAMILY ALLOWANCE IN GREAT BRITAIN

Family allowances were introduced in Great Britain in 1945 during Churchill's short-lived second Ministry of May–June, 1945. They were included in the Beveridge Plan, the precursor to the British welfare state for the following reasons:

1. There was a need for a national minimum income in employment no less than in unemployment: pre-war surveys had shown that considerable want existed, even when a wage earner was at work.

2. There was an anomalous situation by which, without additional assistance for children, wages might be no more, or even less, than unemployment benefits.

3. Lastly, there was the need with a falling birth-rate for the utmost care for children, and the greatest possible encouragement for having them.

The family allowance fitted into the Beveridge policy of socializing demand rather than production, in that it was to help attack directly the central weakness of the unplanned market economy of the interwar period—failure to generate effective demand for products.

The current family allowance is paid to families with two or more children under certain age limits.⁵ The allowance is 15 shillings a week for the second child and 17 shillings a week for subsequent children. For example, a family with three children would receive 32 shillings a week, and a family with five children would receive 66 shillings a week. The family allowance is paid to all families, but must be declared for income tax purposes. It is financed out of general tax revenues.

The average earnings of adult male workers in Great Britain in 1967 were 21 pounds, 7 shillings a week (\$51.24). For a family with three children, the 32 shillings (\$3.64) would represent around 7 percent of average weekly earnings. If the family had five children, the 66 shillings (\$7.92) would amount to around 15 percent of gross income.

The British family allowance, when compared to the French family allowance, is considerably less important as a source of income to families with children. In 1961 the family allowance expressed as a percentage of average gross monthly earnings amounted to 5.7 percent in Great Britain compared to 28.7 percent in France.

Under the British tax system, allowances are given for children. They vary with the age of the child; thus for children under 11, an allowance of 115 pounds is given; for children between 11 and 16, the allowance is 140 pounds; and for children who are 16 years or over, the allowance is 165 pounds so long as they are in full-time education.

The tax allowance for children is more valuable than the family allowance. To a British family with an income of 1,000 pounds a year, and with three children under 11 years of age, the family allowance in 1967, as a percentage of earned income before taxes amounted to 4.7 percent and the value of the tax allowance for children in reducing the tax bill amounted to 12.3 percent before taxes. To a family with an income of 2,000 pounds before taxes, and with three children under 11, the value of the family allowance on the same basis amounted to 2.3 percent of earned income, and the value of the tax allowance amounted to 7.1 percent of earned income.

THE FAMILY ALLOWANCE—A SUMMARY

The five countries reviewed in this prepared statement use the family allowance. Four of the five introduced it during the immediate post World War II period for a variety of reasons—to stimulate aggregate demand, to increase the birth rate, etc. Its importance as a source of revenue to families has declined as a family incomes have risen.

The allowance varies in amount among countries and can be summarized as follows:

1. In Canada, the amount is \$72 per child a year for children under 10, and \$96 a year per child for children between 10 and 16. This amount can be compared to average gross Canadian family income of \$6,500 a year.

2. In Denmark, the amount is \$110 a year per child. The amount can be compared to average gross Danish family income of \$4,300 a year.

3. In France the allowance is \$180 a year for the second child if under 10, and more if over 10, and \$262 a year for successive children through the sixth (assuming that each is under 10) and more if the children are over 10. This can be compared to average gross wages for production workers of \$190 a month.

4. In Sweden the allowance amounts to \$175 a year per child. This can be compared to average gross family income of \$5,300 a year.

⁵ To count for family allowances, a child must be under the minimum school-leaving age of 15, or if over that age, under 19 and undergoing full-time education.

5. In Great Britain the allowance amounts to \$93.60 a year for the second child, and \$105 a year for successive children.

In Great Britain, the family allowance is taxed; in the other four countries, it is not. However, Great Britain has tax exemptions for children; Sweden and Denmark do not; France uses a family quotient system which permits the splitting of incomes into parts, based on the number of persons in the family; and Canada permits an exemption of \$300 for children receiving the allowance compared to a regular exemption of \$550.

All of the countries pay the allowance to every family regardless of need, and all, with the exception of France which uses a payroll tax, finance it out of general revenue.

The redistribution effects of the family allowance can also be summarized.

1. There is horizontal redistribution within income groups, i.e., individuals and families without children finance families with children in the same income group.

2. There is also vertical redistribution between income groups in that families with high incomes pay more in taxes than they receive in allowances, while families in the low income groups receive more in allowances than in taxes.

3. There is regional redistribution of income in that the family allowance represents a greater percentage of family income in low income areas and regions than in high income areas. Also, low income regions receive more in benefits than they pay out in taxes.

As an anti-poverty device, the family allowance would have two limitations:

1. It is limited to families with children, whereas poverty occurs among a number of groups—the aged, families with or without children, and individuals. The allowance by definition would not be payable to several of these groups.

2. If payment is made to all families, which is the normal custom, most of the expenditures would go to families that are not in need—a rather superfluous approach to say the least. This could, however, be circumvented by using a cut-off point of \$3,000 a year per family. The allowance would have to be reduced as the cut-off point is reached for reasons of equity. Otherwise, a family making \$2,900 a year would receive an allowance of several hundred dollars while a family making \$3,000 would receive nothing.

The cost of the family allowance in the United States would depend upon the number of children to be included and the amount of the allowance. If children in families with incomes of \$3,000 and above are excluded, then in 1964 15,900,000 children would be eligible for allowances. Assuming that the first child is not excluded from receiving an allowance, the cost of the allowance can be estimated by using a payment schedule. If the allowance is \$10 a month per child (\$120 a year), then the cost would be \$1.9 billion a year. This payment of \$10 a month would roughly correspond to current monthly payments in Canada, Denmark, and Great Britain.

However, assume a payment of \$30 a month per child—a not unrealistic assumption since only the children of the poor are considered eligible—the cost would be \$5.7 billion a year (15.9 million children \times \$360 a year).

If all children under 18 in the United States are considered eligible for allowances, the cost of the family allowance would rise considerably. For example, assume that the Canadian family allowance is applied to the United States. In 1967 the Canadian family allowance averaged \$6.76 per child. There are approximately 69 million children in the U.S. under the age of 18. The cost of the family allowance would be approximately \$5.6 billion a year. If the Swedish family allowance of \$175 a year is used, the estimated cost would be \$12.1 billion a year in the United States.

However, it is important to remember that the Swedish tax system does not permit exemptions for children, and the Canadian tax system reduces the standard exemption of \$550 to \$300 for children receiving allowances. If the same procedure were adopted in the United States, namely, the \$600 exemption per child, tax revenues would increase to counterbalance the cost of the allowance.

The French family allowance system if transposed to the United States would be enormously expensive. A conservative estimate would be around \$25 billion a year.

CONCLUSIONS

Family allowances are regular cash payments to families with children, and are paid in a large number of countries as a social security benefit. Payments usually cover only gainfully employed persons and recipients of social insurance benefits. Some countries start family allowances with the first child; others

start only with the second child. Family allowances are usually financed by a tax on employers, or out of general governmental revenue. The amount of the family allowance is either the same for all children, or it increases progressively with the number of children in the family. Generally there is a cut-off point for eligible children, which ranges between 14 and 18 years; however, this cut-off point may be extended for children who are in school, or who are sick or handicapped. The family allowance is available to all families regardless of income; however, it may or may not, depending on the country, be subject to personal income taxation.

The merit of examining the family allowance as an anti-poverty measure is that it is used by all major industrial nations, with the exception of the United States, as an income guarantee to children with families. Unlike the negative income tax and the social dividend, which are other commonly recommended income guarantee devices, the family allowance is in current use and can be examined.

However, the family allowance does not appear to be a particularly efficient one when considered as an anti-poverty device. It would be rather foolish to use it for this purpose, unless it was limited to poor families, because it would be like spraying a forest to get at a few decayed trees. It could be made to apply directly to the problem of poverty by limiting it only to poor families.

The negative income tax, although not used by the five countries examined in this statement, appears to be the feasible solution to an income guarantee in the United States. It would cover all poor, not just families with children, and would be relatively easy to handle administratively.

APPENDIX 5

INNOVATION IN PUBLIC ASSISTANCE: THE CASE OF ELIGIBILITY DECLARATION *

By Sydney E. Bernard, Associate Professor of Social Work, The University of Michigan, School of Social Work, Ann Arbor, Michigan

A. INTRODUCTION

The last eight years have witnessed a sustained and far-reaching criticism of existing public assistance programs. Numerous reform proposals have been advanced, some planned to replace, others to improve the current system. This paper will discuss one major reform which has moved beyond the proposal stage and is already underway in a few jurisdictions. The innovation, "Declaration," drastically simplifies and improves the process through which eligibility and grant size are determined. In contrast to current practice, the agency accepts the client's statement (Declaration) about his own status, e.g., age, income, resources, residence, etc. Declaration omits the time-consuming, expensive and demeaning investigation of every relevant aspect of every client's statements. Though originally conceived as a vital reform within public assistance, Declaration provides a revealing glimpse into the problems and prospects for eligibility determination in Negative Income Tax or Guaranteed Minimum Income programs. Eligibility and benefits under these programs must also be based on a determination of income and need. A demonstration that these judgments can be made at an acceptable level of accuracy and with a minimum of administrative cost even at the lowest end of the income scale, will provide strong support for the argument that "universal" income maintenance programs based solely on need can be cheaply and efficiently administered.

The following paper examines the experience to date (March 1968) of the States that have introduced some variation of this innovation. It describes the changes associated with this innovation, benefits and problems encountered, strategies adopted for its introduction and projects a possible direction for the evolution of public assistance. The conclusions are speculative, based upon agency reports and interviews with some of the participants.¹ The paper can be seen as preliminary to a systematic investigation which would include standardized measures of the innovation's scope and impact on such relevant targets as clients, caseworkers, and interest groups in the agency's environment. Such an investigation would test the accuracy of the reported observations about the innovation's impact and the strategy developed for its implementation.

B. HISTORY AND CURRENT USE

Declaration was first used in Public Assistance² in 1962 in Alabama on a project basis and for eligibility redetermination only. It is now in operation or being initiated in all or part of twelve States.³ By the end of 1964, Declaration

*Paper prepared for the National Conference on Social Welfare, San Francisco, California, May 1968.

¹I am indebted to the staff of the State public assistance agencies whose programs are discussed below for their assistance in forwarding project reports, copies of forms and manuals, personal correspondence in response to questions and in number of instances, personal interviews. A complete list of these documents is available upon request. Part of the research was carried out while serving as consultant to the Michigan State Department of Social Services, Summer Faculty Demonstration Project, supported by the Bureau of Family Services, Department of Health, Education and Welfare.

²A number of States had used declaration in their MAA programs, some went on to use it in the other public assistance categories. See George Hoshino, "Can the Means Test Be 'Simplified,'" *Social Service Review*, 10, 3, (July, 1965), pp. 192-196.

³Date indicates initiation on full scale or experimental basis: 1962, Alabama; 1964, West Virginia; 1965, California, Colorado; 1966, Maine; 1967, Iowa, Louisiana, New York City, Wisconsin; 1968, Pennsylvania, Connecticut; to start July 1, 1968, Michigan, to start "after July 1st, and under active consideration in Maryland, Oregon, Texas and Rhode Island. *N.B.*, for stylistic reasons, I use the term "State" to indicate jurisdiction, though in some States the program is in use in only one or a few subdivisions, e.g., in New York State only two of New York City's 34 centers are involved.

was in use only in Alabama and West Virginia. By the end of 1966, California, Colorado and Maine had initiated experiments. In the first five years only five States initiated the program, in the next 18 months another seven started or announced their decision to do so. In addition, at least four other states are actively examining the use of Declaration for their program.

C. EXTENT OF INNOVATION

The extent of innovation introduced varies greatly. Major variables along which States differ are: (1) requiring an interview with each applicant; (2) extent of organizational change introduced; (3) breadth of geographic coverage achieved; (4) inclusion of eligibility determination and redetermination; and (5) number of categories included. Other inter-state differences which were sometimes reported include; response of clients and staff members; extent of policy change introduced or developed; and degree of community involvement.

THE APPLICATION INTERVIEW

All States which use declaration have reduced their investigatory process; only four States however, Maine, Colorado, West Virginia and Louisiana, allow eligibility to be established without an interview. California re-established the interview when it discovered a 6-7 percent ineligibility rate, and despite the conviction that this was largely due to complex eligibility criteria.

The interview is maintained in order to assist the applicant in completing the complex form, to allow the staff member to note possible inconsistencies and areas for additional investigation and to offer and assess the need for social services. Home visits and routine investigation of assets and incomes are not ordinarily required. New York City for example, requires that full investigations of eligibility be carried out only on applicants with prior records of fraud or "other unusual circumstances." Louisiana, which uses declaration for redetermination only, has a staff member fill out the form from the case-record and mail it to the recipient requesting that they indicate any changes.

ORGANIZATIONAL CHANGE

Organizational changes introduced are directed toward the separation of service from assistance. Surprisingly, organizational changes are not closely associated with establishing eligibility by mail. Maine is the only State to both establish eligibility by mail and to separate the service and assistance functions. Pennsylvania (in four experimental counties) retains the application interview but provides maximum separation. The total assistance function; eligibility determination, redetermination and interim changes in the grant are the responsibility of the eligibility unit. All other States require the service unit to process grant changes, and many involve this unit in eligibility determination in specified circumstances. The trend, however, seems to be toward a separation.

Structural changes tend to follow a three part organizational model; (1) eligibility unit, (2) service unit and (3) validation unit.

The *eligibility unit* prepares or receives the application and determines eligibility and grant status. There was an initial attempt to have the eligibility unit diagnose or assess service needs. The tendency now is to define eligibility determination as a separate task. Educational requirements for this position are reduced and lower pay offered. Service needs may be discovered by requiring service unit visits within 10-30 days of application, mailing a list of services to the client (Maine), or adding a diagnostic and referral interview at the gateway to the process.

Service unit innovations found in one or more States include: subdivision into short-term and long-term units; use of a pooled or agency caseload status; group orientation meetings to inform clients about policy and program; use of sub-professionals and volunteers; and a case-conference system which includes the client as participant.

Validation units may be staffed at the sub-caseworker level. They carry out a full investigation of a carefully drawn 10 percent caseload sample. Variations range from the use of the caseworker to determine eligibility in a sample of his own cases, to the reliance on Quality Control, rather than separate validation units, with a smaller, one-two percent sample.

GEOGRAPHIC BREADTH

Only three States introduced Declaration without a tooling up or testing period in a county or district. Most States whose programs are 12-18 months old (6) have extended the project to all parts of the States and all who have drawn conclusions from the test period report their intention to do so. The introductory period involves perfecting forms, changing policies (in some instances) and training staff.

ELIGIBILITY PROCESS

Nine of the 12 States determine both initial and continuing eligibility by Declaration. Only Alabama, Louisiana and West Virginia do not.

CATEGORIES INCLUDED

All 12 States use Declaration in their OAA category; ten of the 12 include all the adult categories (OAA, AB, APTD); surprisingly, eight include or are experimenting with AFDC recipients; three, Wisconsin, New York City and Pennsylvania include general assistance recipients.⁴

Most of the innovations associated with Declaration are internal to the agency. Two seem most likely to rouse strong overt public criticism, inclusion of AFDC recipients and establishing initial eligibility without a mandatory interview. It is striking, therefore, that eight states have included AFDC either in their initial plan (New York City, Iowa, Wisconsin, Pennsylvania) or as an extension of the existing system (California, Alabama, Maine, Colorado). And even more, that two of them, Maine and Colorado, do not require an application interview.

It is evident that Declaration is gaining momentum as it spreads across the country but also that prudent concern over public reaction seems to characterize the extent and structure of the innovations associated with it. Before speculating about the factors that may influence the extent of his innovation, it is useful to examine the amount of ineligibility that may be associated with this process.

D. VALIDATION, HOW HONEST ARE CLIENTS?

Not surprisingly, clients are reported to be as honest as the rest of us, surprisingly honest in many cases. Some examples: forms filled in by clients alone are observed to have fewer errors than those in which someone, caseworker, friend or prominent local citizen, helps them; often clients, when self-reporting, disclose assets not previously reported in interviews and in one state (West Virginia) one-fifth of those found to be ineligible, self-reported this fact on returning their form.

A full assessment of Declaration's effectiveness in determining eligibility benefits would identify four kinds of cases in which discrepancies are found: (1) errors of any kind, "defective applications," (2) errors effecting the amount of benefits thought not eligibility per se, a much smaller number (3) ineligible cases, a smaller number yet, and (4) eligible cases denied benefits, no States reported on these cases, though New York City plans to do so.

Seven States reported the results of validation experience. Rates of defective applications ranged from as high as 30-35 percent to as low as 2-8 percent. The high rate of errors were attributed less to client perfidy than to policy stupidity. Policies were complex and detailed, demanding for example, exact reporting of cash value of insurance, property taxes, birth dates and places; all items in which innocent mistakes abound. Staff produced errors are also frequently reported. Individual workers or whole units will be "overly strict" in finding errors or omissions, e.g., in mail applications, items whose meaning is clear from context will be reported as errors or omissions.

Reported ineligibility⁵ ranged from a low of zero to .04 percent to a high of between 6 and 7 percent. All but one State reported less than 4 percent. New York City's rate, including AFDC, is less than 2 percent. California, however,

⁴ The States and categories are: OAA, West Virginia and Louisiana; Adult categories, Connecticut and Michigan; Adult and AFDC, Alabama, California, Colorado, Maine, Iowa; all these and other programs, Wisconsin, New York City and Pennsylvania.

⁵ The reported percentage of ineligible cases includes an unknown proportion of deliberate attempts to defraud along with ordinary errors of reporting and interpretation.

reinstated an application interview in part because of a 6-7 percent ineligibility rate. The two major factors which seem to determine the error and ineligibility rates are (1) policy complexity and (2) degree of close review by staff during the eligibility process.

Current methods of full investigation though tedious and demeaning may not be efficient or effective. Staff members are usually not trained in investigation, assets may be easily hidden, e.g., bank accounts transferred to distant banks, and both staff members and clients may resent the process strongly enough to reduce its effectiveness. There may, in fact, be a net reduction in costs with Declaration since the expense of establishing eligibility is reduced and part of the burden shifted to the applicant as he is given the responsibility of completing his application. The saving which may be substantial is then used to provide additional services of various kinds.

There are no commonly accepted standards for a tolerable level of errors in Public Assistance administration. The range reported may seem too high or quite modest. We can, however, make a crude comparison with other government programs and with an earlier review of the AFDC program. As noted, validation reviews tend to find ineligibility rate of less than 4 percent. An AFDC caseload review⁶ carried out by H.E.W. in 1962/63 found similar or higher rates. They estimated an overall ineligibility rate of 5.4 percent varying between eleven States with less than 2 percent through two States with over 15 percent. Their findings also indicate that complex policy criteria are associated with high rates of errors. If income were the sole eligibility requirement, fifteen States would have less than 2 percent ineligibility and the two highest States would have 8.9 percent and 9.3 percent.⁷

The Veterans Administration, using a highly simplified declaration form, declares that a spot-check comparison with social security records shows a .3 percent ineligibility rate.⁸ The federal income tax, is the nation's foremost self-declaration (and assessment) procedure. Arithmetical errors, "defects," are reported in over half the returns filed, and are predominantly (1½ to 1) in the taxpayers favor. The I.R.S. audited ("validated") 3.5 million returns in 1966 about 3 percent of returns and probably a selected high risk group. Almost two million "resulted in deficiency recommendations."⁹ This suggests that at least 2 percent of tax payers submit returns which are seriously in error. To make a rough analogy the I.R.S. found over 50 percent of its returns were "defective" and discovered a two percent ineligibility rate.

Since these conclusions do not lead the American people to recommend home visits or investigatory interviews with each taxpayer, they suggest that much smaller defect rates and quite comparable ineligibility rates ought to be tolerable in Public Assistance.

E. INNOVATIONS, INCENTIVES, AND BARRIERS

Innovation can be seen as one possible response of organization policy-makers to internal or external pressures. Such pressures are transmitted in part through the operation of interest groups who press their demands upon policy-makers. Recent research suggest that the extent of innovation is related to a combination of three factors; (1) the motivation of the executive as indicated, for example, by his training and career goals, (2) resources available, indicated by agency size, variety and training of staff and State size and wealth; and (3) barriers or resistances to innovation; e.g., lack of plan into which the innovation can fit; concern over impact on other program aspects and controlling effects of external environment.¹⁰

Neither space nor available data permit a complete discussion of the relationship between these broad factors and the extent of change introduced by the States. It is possible to discuss in general terms the attitudes and activities of some of the interest groups who are or might be involved as resources pressing for or barriers resisting adoption of Declaration.

⁶ U.S. Department of Health, Education and Welfare, *Eligibility of Families Receiving Aid to Families with Dependent Children: A Report Requested by the Senate Appropriations Committee*, (Washington), July, 1963.

⁷ *Ibid*, Table 2, p. 13.

⁸ Sar A. Levitan, *Programs in Aid of the Poor*, (Kalamazoo), W. E. Upjohn Institute for Employment Research, December, 1965, p. 16.

⁹ U.S. Internal Revenue Service, *1966 Annual Report*, (Washington, U.S. Government Printing Office, 1966) pp. 21-22.

¹⁰ Robert E. Mvtinger, *Innovation in Local Health Services*, U.S. Department of Health, Education and Welfare, Public Health Service Publication No. 1664-2, (Washington, U.S. Government Printing Office, February, 1968.)

Innovation can then be described as, in part, a process of adjusting to the pressures of conflicting interest groups within a context of broad social change. The broad contextual pressures are indicated by the stark facts of precipitous rise in caseload size and costs, chronic manpower shortage and the glare of public attention as public assistance becomes a central political issue (and scapegoat).

The financial and manpower squeeze are easily indicated. Annual public assistance costs are around \$8 billion, total caseloads pass 8 million. Between January 1967 and January 1968, total costs rose about one-third, medical care costs increases seventy percent, caseloads (excluding M.A.) increased ten percent.¹¹ By 1970, it is estimated that there will be almost 100,000 social workers needed in public assistance, of whom about 31,500 should have two years of graduate training. In 1964 there were about 46,000 staff members in these agencies of whom only 2,200 had the desired graduate training.¹²

The conditions these figures signify, squeeze public assistance agencies severely. Pressures to provide services are matched by pressures to limit or reduce costs. Innovations which have a potential for increasing caseload size are difficult to initiate. The next section of this paper limits some of the major interest groups in public assistance and discusses the possible direction their influence might move agency policy. The basic conclusion of this section is that Declaration is a remarkably inviting innovation. It advances the goals or satisfies the demands of many interest groups, though substantial opposition will also be indicated. Major support comes from groups who favor increased services and/or more objective procedures, major opposition from groups concerned with increased cost or from staff members who resist this change for a variety of reasons independent of cost. The pattern of innovations described above indicates that the scope of implementation represents a compromise between these opposing views.

F. INTEREST GROUPS

The interest groups whose positions will be discussed include; State or local agency executives; caseworkers and other line staff; clients; federal agency staff; political officials, congress, governors and state legislators; and professional organizations, particularly the American Public Welfare Association.

Agency executives including directors and central staff members, are, I would suggest, the major source of initiative for this innovation. The executive's dilemma as already outlined; how can Declaration help him? The manpower shortage expresses itself in high turnover, low morale, and sheer staff shortage. The executive sees an opportunity to shift staff to services, raise morale and reduce turnover. Higher priced BA degree social workers can specialize in services and lower priced eligibility technicians can be used for eligibility determination. Hard-pressed staff may be able to "manage" larger caseloads or in ideal circumstances, caseload levels may allow the agency to secure 75 percent federal matching for "service costs," rather than the 50 percent administrative costs matching formula. Not least, the executive may achieve personal and professional career goals through developing a more service oriented agency structure.

Line staff, particularly caseworkers, exert considerable influence both supporting and resisting this change. Supporters argue that the eligibility determination role absorbs time, energy and motivation for their preferred role, service provision.

A few staff critics may question clients trustworthiness. Most questions, however, are directed at separation of services. Oriented to the traditional caseworker-client model, they wonder whether everyone who "need service" will receive it, unless routine application and redetermination interviews are maintained.

Staff resistance is invariably reported to decrease or vanish in time or through staff turnover. Nor, can one place the cause for this resistance solely upon staff attitudes. Complicated agency policy and a climate of deterrence encourage overly rigid and restrictive evaluation of mailed eligibility applications. To de-emphasize the traditional investigatory procedures, New York City and others assign newly hired staff to the eligibility unit. If innovation is a goal, even high staff turnover can be turned to advantage.

¹¹ U.S. Department of Health, Education and Welfare, *Advance Release of Public Assistance January 1968*, Social and Rehabilitation Service, January, 1968, Table 1 and Table 2. (Mimeographed).

¹² U.S. Department of Health, Education and Welfare, *Closing the Gap . . . in Social Work Manpower*, Report of the Department Task Force on Social Work Education and Manpower, Office of the Under Secretary, November, 1965, p. 40.

No systematic report on client response is available at this writing though New York City includes this in its research plans. Agencies report that clients welcome the change since it gives them "confidence and dignity." Some initial uncertainty and suspicion is reported. Clients need to be told about the change and the reasons for it; some were concerned about "losing their caseworker" and others resented the validation review.

No one need doubt that clients place secondary priority on services, or even humane administrative processes until adequate financial assistance standards are set and implemented. Recognizing this, Declaration may still meet some important client demands.¹³

Declaration can speed up eligibility determination and provide more rapid access to assistance. A group of applicants whose need is temporary may receive assistance and be encouraged to risk leaving the rolls for a job since re-application when need arises is seen to be rapid and simple. New York City's experience suggests this possibility.

Public assistance has often been criticized for reinforcing or creating feelings of powerlessness and dependency among their recipients. Briar lists agency characteristics which contribute to this and recommends structural and policy changes which might reduce this effect. He criticizes complex eligibility and budgeting procedures, distant and obscure decision-making processes, snooping over daily activities and linking assistance to other services. To reduce powerlessness he suggests radical simplification of eligibility and budgeting, high visibility of agency decision-making including enabling applicant to understand criteria applied to his own claim, and high visibility and accessibility of agency procedures.¹⁴

Declaration produces or can lead to many of the desired reforms. For example, eligibility criteria are more visible, particularly on applicant-completed forms. Separation of eligibility from assistance reduces the implicit assumption that aid and services are linked. Introducing Declaration into the agency often produces critical examination of policies and procedures and may initiate or reinforce simplification efforts. Though few clients are now actively demanding Declaration, it can be a means for effectively meeting some of their demands.

THE FEDERAL BUREAUCRACY

At the federal level state letters asserting federal interpretations of policy, contain strong references to Declaration. A recent example is found in a major revision of a section of the federal *Handbook* which includes within its references to policies which would apply should the state adopt a "declaration form in determining eligibility."¹⁵ The 1967 administrative reorganization which created the Social and Rehabilitation Service explicitly separates the service and assistance payments function.

PROFESSIONAL ORGANIZATIONS

A persistent force for change stems from the American Public Welfare Association's Technical Assistance Project (TAP). Sponsoring conferences, providing consultation and publishing new organizational designs, this group serves as a source of innovative ideas and as a communication channel for State and local agencies.¹⁶

POLITICAL OFFICIALS AND THE PUBLIC

There are very few special interest groups who maintain a set of persistent sustained demands upon public assistance policy.¹⁷ Compared to highway policy

¹³ Declaration was an explicit demand of the Representatives of the Poor Peoples March in a recent meeting with Secretary Cohen, U.S. Department of Health, Education and Welfare. "Conference of the Secretary, Department of Health, Education and Welfare, with Representatives of the Poor Peoples March," Washington, April, 1968, p. 15 (Mimeographed).

¹⁴ Scott Briar, "Welfare from Below: Recipients' Views of the Public Welfare System," *California Law Review*, 54:370, (1966), pp. 383-385.

¹⁵ Stephen P. Simonds, "Application Determination of Eligibility and Furnishing Assistance—Handbook IV—2000-2400," *Handbook Transmittal 139*, Social and Rehabilitation Service, Department of Health, Education and Welfare (Washington), February 8, 1968.

¹⁶ American Public Welfare Association, *Public Welfare—Challenge to Validity*, (Chicago, Illinois), Technical Assistance Project, pp. 21. (Mimeographed.) For an authoritative discussion of Maine's experience, see Stephen P. Simonds, *Declarations and Incentives: New Approaches to Public Assistance, Public Welfare*, 26, 1 (January, 1968), pp. 67-71.

¹⁷ As the medical care component grows, interest groups have emerged whose activities belie that generalization. This is one reason that medical care costs in public assistance have risen more steeply than any others. Support for the basic generalization is found in Gilbert Y. Steiner, *Social Insecurity, The Politics of Welfare*, (Chicago), Rand McNally and Co., 1966.

with its numerous and well organized set of economic interest groups; service stations, cement makers, oil companies, etc., public assistance operates in a political vacuum. The suggestion that executives have the key policy-initiating function is largely based on this observation.

Political interest groups who support the change would argue for its contribution to an objective and universal assistance program. Others, perhaps more conservative, support increased "services" as a solution to poverty. Liberals and Moderates of both parties might use this issue as a low-cost "bold new innovation in public welfare."

In Congress, viewpoints are sharply polarized. Declaration is permissible in a number of programs, e.g., Medical Assistance for the Aged, Medical Assistance 1965 Amendments) and the Title V (OEO) Work Experience and Training Programs. The 1967 Social Security Act Amendments urge simplicity of administration:

"The committee bill includes a requirement that States determine eligibility and provide assistance under their cash assistance program in a manner consistent with simplicity of administration and the best interest of recipients."¹⁸

Congressional voices can also be heard demanding exactly opposite policies. The Senate Appropriations Committee "strongly urge" (the Department of Health, Education and Welfare to) "direct the States" (that) "thorough checks including inspection of the premises, with the permission of the client, are required in all determinations of eligibility and continuing eligibility. . . ."¹⁹

The Congressional discensus and the sharply conflicted public opinion reflected there, operates as an important but ambiguous constraint on executive strategy. Before moving to a discussion of this strategy, it is useful to summarize the arguments usually advanced for Declaration:

1. Continuing and persistent staff shortages may be partially relieved;
2. The federal matching grant may increase from 50 percent "administration" to 75 percent "services";
3. Client dignity and functioning are enhanced;
4. Welfare Rights organizations' demands for rapid and objective decision-making can be met;
5. Eligibility determination is less subject to the interpretation of individual staff members;
6. Policies are reviewed, made more objective and rational;
7. The quality and quantity of services can be improved;
8. Staff members with advanced training may be employed at the direct service level;
9. A focus on service and agency streamlining may serve a political and public relations function as a "bold new innovation in public welfare;"
10. Experience with the use of declaration in M.A.A., M.A., and OEO Title V projects, show that the procedure is workable;
11. The 1965 and 1967 amendments to the Social Security Act contain language urging "simplicity of administration."²⁰

G. EXECUTIVE STRATEGY

Using rough and impressionistic measures of extent of change associated with Declaration, I have ranked the States by the extent of change introduced. Highest scores go to those States which restructured agency roles through separation of eligibility services; include AFDC in the system; instituted a permanent state-wide system; use for both eligibility determination and redetermination; and do not require an interview for eligibility determination. Though each may not have introduced these innovations. California, Maine, Pennsylvania, and New York City made the most extensive changes; followed in descending order by Connecticut, Colorado, Iowa, Wisconsin, Alabama, Michigan, West Virginia and Louisiana.

Returning to the three broad factors that served to indicate the probable extent of innovation; executive's motivation, resources, and barriers, this listing of States allows us to speculate about the factors that might explain the differ-

¹⁸ U.S. Congress, Senate, Committee on Finance. *H.R. 12080 Social Security Amendments of 1967, Decisions of the Committee Announced by the Chairman*, 90th Congress, 1st Session, 1967, p. 27.

¹⁹ U.S. Congress, Senate, Committee on Appropriations. *Departments of Labor and Health, Education, and Welfare, and Related Agencies Appropriation Bill, 1968*, Report No. 469, 90th Congress, 1st Session, August 1, 1967, p. 68.

²⁰ Jules H. Barman. "The Means Test: Welfare Provisions of the 1965 Social Security Amendments." *Social Service Review*, XL, 2 (June 1966), p. 173; and H.R. 12080, Social Security Amendments of 1967, *loc. cit.*

ences between States and the implementation strategies adopted by them. The four top States all are recognized as having strong, highly skilled, professional, executive leadership (though this tends to be true of the whole group, while other States with similar leadership are not on this list). Three of these four states are also among the nation's richest and largest. Maine's position is clearly not due to State wealth, (ranking 35th in per-capita income) but may be due to strong leadership in the highly professionalized State agency and to the absence of some crucial barriers to innovation. A likely hypothesis suggests that *public prejudices* directed at a large Negro population serves as a crucial barrier to public assistance innovation. In Maine, this "barrier" is relatively slight (non-whites are .6 percent of state populations). In the other States, substantial resources, and strong leadership may have been sufficient to overcome this barrier. Of the four lowest ranking States, three are among the lowest in average per-capita income, Alabama (47th), Louisiana (44th), and West Virginia (40th); and three of the four, Alabama, Louisiana and Michigan, have high proportions of Negroes or a major urban area with a high proportion of Negroes within its boundaries.²¹

These frankly speculative attempts to explain the activity of the 12 innovating States leave us with the equally interesting question of the explanation for the delay or inactivity of the other 40 states. All 12 States are pioneers in this innovative area and two of those with least change were also the first to introduce the process into their agencies.

Executive strategy in introducing Declaration followed a prudential incremental model. States which have complex eligibility criteria and are highly concerned about criticism for allowing ineligible on the rolls tended to retain interviews and other reviews of applicant statements but also consider policy simplification.

Declaration was not a response to massive public demand. The bulk of public attention and informed innovative initiative is *rightly* focused on the far more basic question of raising benefit amounts and extending them to the tens of millions covered inadequately or not at all by existing income maintenance programs.

Initiative has come from within the agencies themselves. The early pattern seemed to be state level staff discussions followed by a testing period in a few counties leading more or less rapidly to state-wide adoption. The two major audiences are the agency's line staff and the Federal Government. Little publicity was associated with this process though, some executives pointed out, "no attempt was made to hide it." The innovation was often proposed as a technical improvement, increasing staff efficiency. References were also made to improved client functioning and increased dignity though not in response to overt client demands. During the last eighteen months, the process has accelerated. Some States are omitting the pilot project stage, innovations are more substantial, covering more categories and including broader organizational restructuring.

New York City added a vital ingredient, legitimating the innovation through favorable national newspaper publicity. In addition, New York City, was the first to include systematic and comprehensive research on these projects and by calling attention to the inclusion of AFDC encouraged extension to this category.

On a State level, Maine provides another model for the deliberate mobilization of public support. Though public assistance is not a central political issue, Maine's state department made explicit efforts to notify the public through news-release and a series of state-wide public forums at which declaration, separation and other program elements were drawn to public attention.

CONCLUSION

Public assistance is in the midst of one of its more and more frequently recurring crises. The program's leaders are searching for an adequate response to this crisis. Personnel shortages evident throughout social welfare mock efforts to deliver a humane service program. "Welfare" is increasingly being used as a code word for racial prejudice, and is a respectable means of beating the poor, especially poor Blacks. Societal change which produces larger and larger numbers of unemployed and underemployed either through lack of individual skills or absence of available jobs raises to the center of social policy the question of the

²¹ U.S. Department of Health, Education and Welfare, *State Data and State Rankings in Health, Education, and Welfare, Part 2, 1965 edition, Health, Education and Welfare Trends*, (Washington, U.S. Government Printing Office, 1966). Tables S-9 and S-42.

adequacy of public assistance as a mass income maintenance program. Despite the centrality of this issue, many of the proposals suggested for replacing public assistance, negative income tax and children's allowances, for example, will not, in the form presently proposed, abolish and in some cases not substantially diminish the need for public assistance programs. Yet, few defenders of public assistance would argue that it would serve as an adequate mass income maintenance program in its present form.

Declaration offers a possible productive route out of this impasse. The necessity for large scale service programs will continue. Mixing those programs with financial assistance in a punitive social control framework aborts the promise of services and makes income maintenance a socially divisive function. Therefore, separation of services from assistance and introduction of Declaration is of value whether public assistance is continued or some alternative is adopted. In all of these proposals, Declaration stands as a central technique for removing the most abusive aspects of the means test.

It is possible to see two versions of a future public welfare program. Separation of services from assistance and the introduction of more objective eligibility determination and grant provision allow the continuation of a public assistance income maintenance program of the type envisioned by the Advisory Council. In that system there would be a federally supported universal floor of public assistance under the auspices of the currently existing state agencies. Conversely, if this role or some substantial portion of it is picked up by a negative income tax or large grant, children's allowance program, it would still be possible to maintain the current public assistance structure as a nationwide service provision mechanism.

So, experiments with self-declaration and separation of services offer us in addition to their immediate benefits, a glimpse into a possible social service world of the future.

APPENDIX 6

THE POVERTY LINE. WHAT IS IT?*

WHAT DOES THE "POVERTY LINE" MEAN?

Everybody agrees that many Americans are poor. But what do we mean we say "poor"? How much money (income) can a family have and still be called "poor"?

Many people, including the Federal Government, have tried to answer this question. At first it was said that any family with less than \$3,000 a year was poor. But that was not a very good answer. Some families were bigger than others. Some families lived in cities where everything costs a lot, while others lived in farm communities where things cost less.

So it was decided to figure out how much money different kinds and sizes of families need. But how much do people need? What is the amount of money Americans need to live with "human health and decency"?

Everybody needs food. So they started out trying to figure out how much food people need—the minimum amount of food people need to be healthy. The U.S. Department of Agriculture figured out how much food different kinds of people needed (men, women, boys, girls, people of different ages). Then they found out how much this food would cost in most places in America. Almost everybody agreed that this was a fair way to figure out people's needs for food.

But, how much money do people need for everything else (clothing, housing, etc.)? Many people had very different ideas about this, and it was hard to get everybody to agree.

The Federal Government came up with an idea. (1) They now "knew" the minimum amount of money people needed for food; (2) If they knew what part of their income people spent for food; (3) They could figure out how much more money people seemed to need for everything else.

So they made a study, and found out that low income people spent about one-third of their income for food, and two-thirds for everything else.

They decided that if they multiplied the amount of money people needed for food by three they would know the minimum amount of money people need to live on. And this figure is what they called the "Poverty Line."

Actually, they figured out two "poverty lines". Both were based on food budgets, and the idea of multiplying the food budget by three to find out the total needs of a family. One of these was called the Economy Poverty Line, because it was based on the Agriculture Department's Economy Food Budget. The Economy Poverty Line is what people usually mean when they refer to the Federal Poverty Line.

The other one was called the Low-Income Poverty Line, because it was based on the Agriculture Department's Low-Income Food Budget, which allows about one-third-more money.

On the following pages are information and graphs which show the Economy Poverty Line and Low-Income Poverty Line, and compare them with typical U.S. welfare grants (the "welfare line" for Washington, D.C., which was close to the national average in 1966.)

KEY TO MONTHLY AND YEARLY FAMILY INCOME GRAPHS

Federal low-income poverty line

The money income needed by a non-farm, female-headed family to live at the U.S. Social Security Administration's low-income poverty index in 1964.

Federal economy poverty line

The money income needed by a non-farm, female-headed family to live at the U.S. Social Security Administration's economy poverty index in 1964.

*Prepared by Edwin A. Day, Associate Director for Research, Poverty/Rights Action Center, Washington, D.C.

AFDC welfare line, Washington, D.C.

The basic welfare grant levels for Aid to Families with Dependent Children for food, clothing, shelter, and personal and household items during 1966 in Washington, D.C.

(Based on the first child being an infant, and each additional child 2 years older than the previous child.) In 1966, Washington, D.C. AFDC welfare grants were typical of the national average.

[1] Social Security Administration poverty indexes for families of 7, 8, 9 and 10 are not available. Calculations for these points based on additions of \$400 per additional person for the Economy Poverty Line and \$450 for the Low Income Poverty Line (both figures smaller than differences between figures for families of 5 and 6).

[2] All figures in monthly graph rounded to the nearest \$5.

[3] All figures in yearly graph rounded to nearest \$100.

THINGS YOU SHOULD KNOW ABOUT THE "ECONOMY POVERTY LINE"

When the Federal Government and most people talk about the "poverty line", they usually mean the "Economy Poverty Line".

When the Federal Government and most people talk about "eliminating poverty" they usually mean bringing poor people above the "Economy Poverty Line".

In America today there are 34 million people below the "Economy Poverty Line".

Almost all welfare recipients (over 8 million Americans) are far below the "Economy Poverty Line". The average AFDC family receives about 40% less than their government's own standard for minimum human health and decency. Welfare provides only GOVERNMENT-SPONSORED POVERTY.

MOST IMPORTANT, YOU SHOULD KNOW, EVEN THE "ECONOMY POVERTY LINE" DOES NOT REALLY PROVIDE ENOUGH MONEY FOR HEALTH AND DECENCY

(1) The Economy Poverty Line is based on the U.S. Agriculture Department's ECONOMY FOOD BUDGET—a food budget which does NOT allow people enough food for continued health.

The Agriculture Department itself says that this food budget provides enough food for "ONLY TEMPORARY AND EMERGENCY USE".

The Economy Poverty Line does NOT allow for enough food (nutrition) day-in-and-day-out, month-after-month, for people to stay healthy.

(2) The Economy Poverty Line does NOT even allow enough food money for most poor people to buy all of the food in the Economy Food Budget.

In figuring out how much money it would cost for people to buy the food in the Economy Food Budget, the government used conditions that do not apply to most poor people.

In order for someone to stretch their food dollars to get all the food in the Economy Food Budget with the money allowed, they must—

(a) Be able to shop around at several good stores.

(b) Be a very good shopper, and always get the lowest possible prices.

(c) Always buy the very cheapest foods, whether the family likes them or not.

(d) Not buy canned or frozen fruits or vegetables if there are any fresh fruits or vegetables in season.

(f) Buy no "prepared foods (including baked goods)—make everything from "scratch".

(f) Be a very good cook—so the family will eat all of the above food.

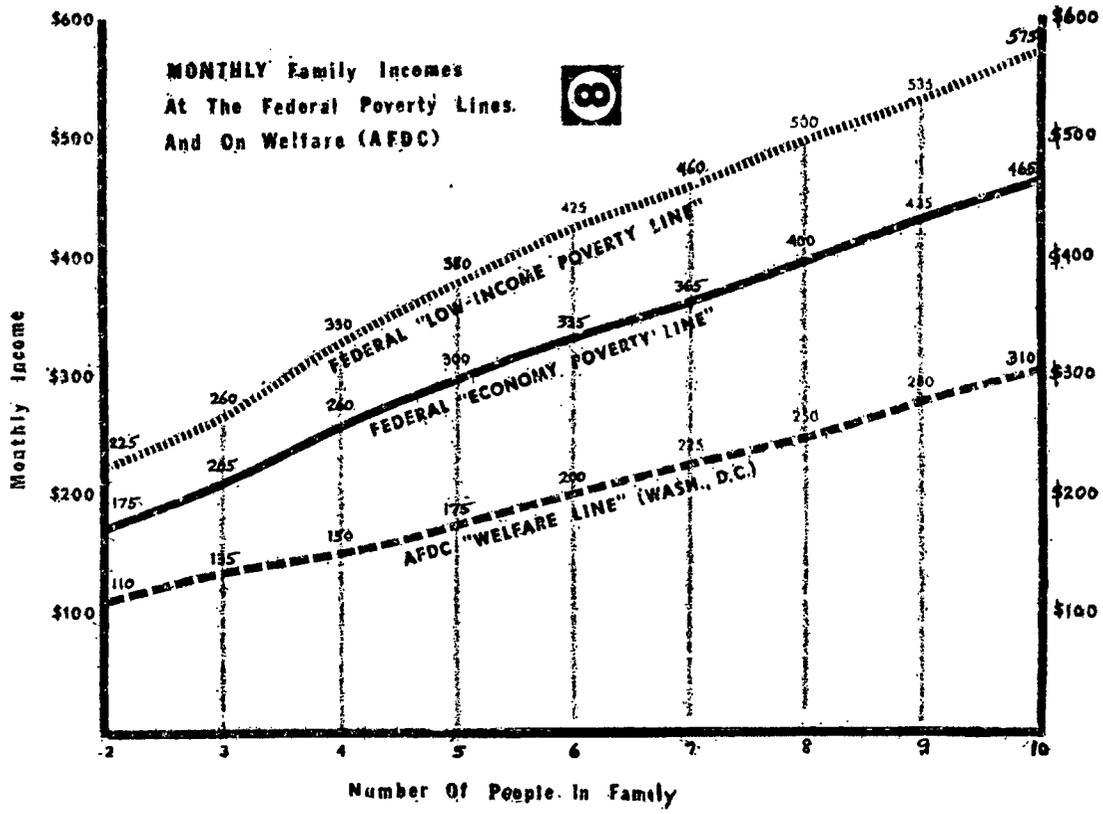
(g) Allow no member of the family to eat any meals out, or buy any food besides what is fixed for meal time.

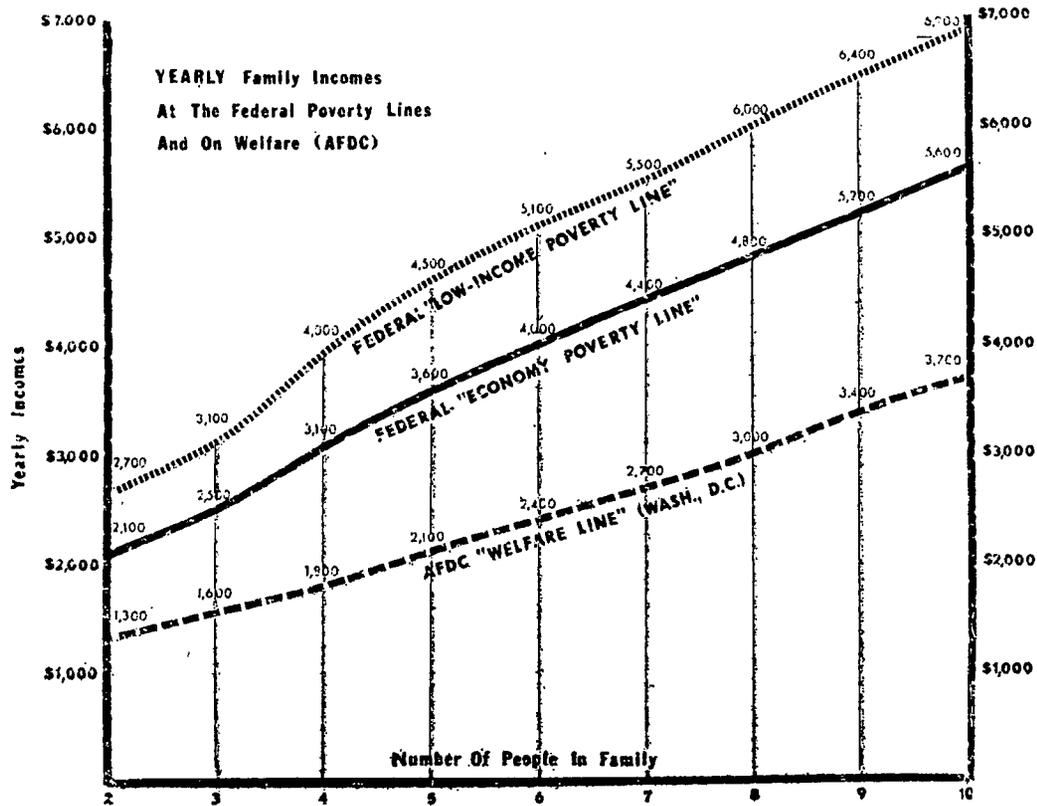
Very few poor people can meet all of these requirements. So they will not have enough money to even buy the inadequate amount of food in the Economy Food Budget.

"SHORT-CHANGING" THE POOR

The FACTS show that the Economy Food Budget allows an Economy Poverty Line family neither enough food nor enough food money to sustain adequate health.

Furthermore, the Economy Poverty Line bases all of its other allowances, for clothing, shelter, etc., on the amount of money it allows for food. Thus an Economy Poverty Line family is equally short-changed on all other items.





As a matter of FACTS, the Economy Poverty Line is a FALSE POVERTY LINE; it does not allow a family enough money for health and decency; it does not allow enough money for a family to escape poverty.

A true poverty line must "draw the line" between those who have enough income for human health and decency, and those who do not:

People NOT IN Poverty

poverty line ————— People IN Poverty

The Economy Poverty Line clearly fails to do this: While it is true that people below the Economy Poverty Line are in poverty, it is not true that people at or above the Economy Poverty Line have escaped poverty—are not in poverty.

PEOPLE WITH INCOMES AT THE ECONOMY POVERTY LINE AND MANY PEOPLE ABOVE THE ECONOMY POVERTY LINE ARE STILL IN POVERTY.

A MORE HONEST POVERTY LINE

The Federal government, in a way, admits that the Economy Poverty Line is not a good poverty line. For it has developed another line which it also calls a poverty line. They call it the **LOW-INCOME POVERTY LINE**.

It is shown on the graphs on the previous pages by the dotted line which is above the Economy Poverty Line.

The Low-Income Poverty Line comes much closer to showing how much income people really need to live at a minimum level of human health and decency. It is a much more honest poverty line.

It is based on the Agriculture Department's Low-Income Food Budget which allows about one-third more food and food money. In turn, the Low-Income Poverty Line allows about one-third more money for clothing, shelter, etc. than the Economy Poverty Line.

Many people still feel that the Low-Income Poverty Line is too little when compared with the high standards of living in the United States. But it is probably enough money for a family to live at a **MINIMUM** level of health and decency.

WHY TWO POVERTY LINES?

It is strange that the government has **TWO** poverty lines, when one of them is clearly not a good one. It is also strange that the inadequate one is called "Economy" while the more honest one is called "Low-Income"—terms which give unknowing people the **FALSE** idea that the "Economy" one is really enough, and that the "Low-Income" one allows "surplus".

Many feel that the Federal government's use of the Economy Poverty Line as its standard for "eliminating poverty" is false and misleading—and a public relations trick at the expense of poor people.

THE POVERTY LINE AND WELFARE RIGHTS

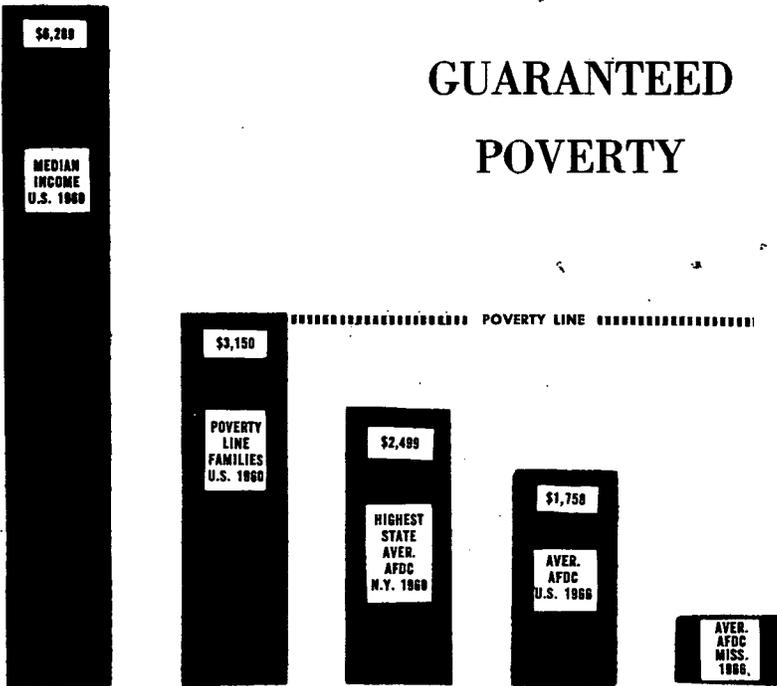
People who understand about poverty lines have a responsibility to tell other people—to tell them what they really mean, and what they do not mean.

When members of the National Welfare Rights Movement gathered in Washington in February, 1967 to draw up legislative proposals for the 90th Congress, they refuse to use the false Economy Poverty Line as their standard for adequate welfare grants. In their proposals they demanded that welfare grants be raised to the Low-Income Poverty Line.

It is an important difference.

WELFARE

GUARANTEED POVERTY



Average Annual Incomes



Poverty/Rights Action Center, 1713 R St., N.W., Washington, D. C.



THE TYPICAL AMERICAN VIEW OF "WELFARE" IS A TANGLE OF ERROR AND FANTASY.

THE PURPOSE OF THIS BOOKLET IS TO PRESENT IN GRAPHIC FORM THE FACTS ABOUT AMERICA'S PUBLIC ASSISTANCE SYSTEM.

1

TABLE 1: In all states public assistance levels are far below our government's own definition of poverty. Thus, public assistance guarantees the poverty of over 8 million Americans--over one-fourth of the poor in the United States.

2

TABLE 2: Total public assistance expenditures are decreasing in proportion to the national income.

3

TABLE 3: Public assistance payments lag behind the rest of the economy. The gap between the living standards of public assistance recipients and the rest of the population is rapidly growing. In the last 15 years personal income in the United States has risen more than 100% (see table 2). Public assistance levels, however, have risen less than 25% for children and less than 30% for the aged.

4

TABLE 4: Over 95% of all public assistance recipients in federally-supported programs are not capable of self-support because of old age, child care responsibilities, permanent and total disability, or blindness.

5

TABLE 5: Public assistance expenditures in most of the states bear little or no relationship to the state's financial resources or the nation's fiscal ability.

6

TABLE 6: There is no national standard for public assistance payments. Assistance levels vary drastically from state to state without regard to the needs of people. In Mississippi most dependent children receive less than 30¢ per day for food, shelter, clothing, and medical care.

7

TABLE 7: Throughout the nation dependent children receive 45% to 75% less assistance than other recipients in federally-supported programs.

8

TABLE 8: The overwhelming majority of America's 34 million poor are denied any assistance whatsoever. Many federal and state regulations (such as lifetime disability or state residence for 5 of the last 9 years) deny assistance to literally millions of desperately needy Americans. Millions of needy children and adults are denied assistance because an unemployed or under-employed man has remained with his family. Moreover, a majority of those who are eligible for assistance under the law do not receive any assistance at all as a result of arbitrary administrative actions to minimize expenditures.

OUT OF THESE CONDITIONS, a new movement has been born: THE WELFARE RIGHTS MOVEMENT.

Your understanding and support is needed.

**Dr. George A. Wiley, Director
Poverty/ Rights Action Center**

Except as noted, all statistical material and statements in this publication are drawn from public records of the U.S. Dept. of Health, Education, and Welfare, the June 29, 1966, Report of the Advisory Council on Public Welfare (appointed by the Secretary of Health, Education and Welfare at the direction of Congress), and the U.S. Bureau of the Census.

Edited by Edwin A. Day, Associate Director for
Research

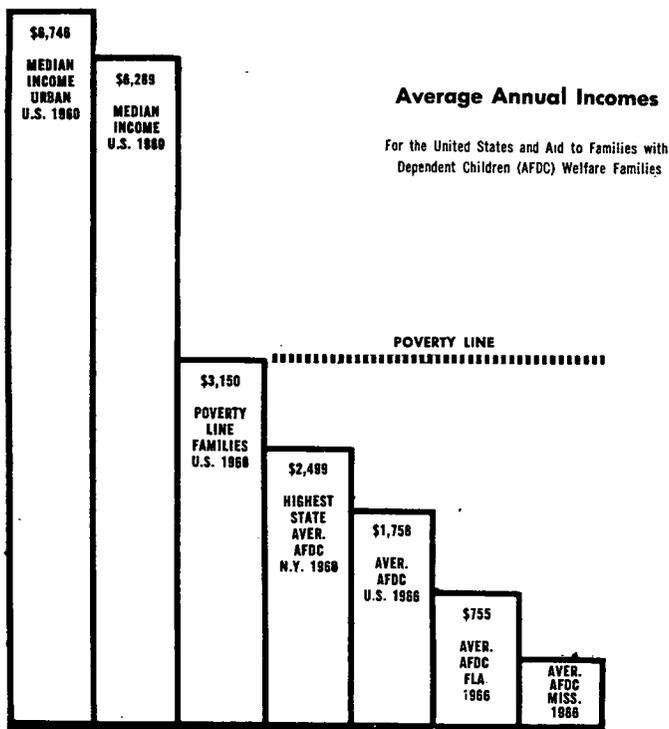
1

WELFARE IS POVERTY

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.

The national average provides little more than half the amount admittedly required by a family for subsistence; in some low-income States, it is less than a quarter of that amount. The low public assistance payments contribute to the perpetuation of poverty and deprivation that extends into future generations.

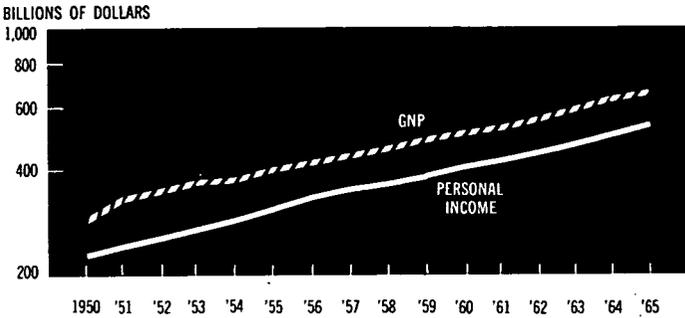
HEW Advisory Council on Public Welfare
June 29, 1966.



FISCAL EFFORT FOR PUBLIC ASSISTANCE

The total personal income in the United States from all sources has risen steadily since 1950. The aggregate personal income which was \$228.5 billion in 1950 had more than doubled by 1965, when it reached \$530.7 billion.

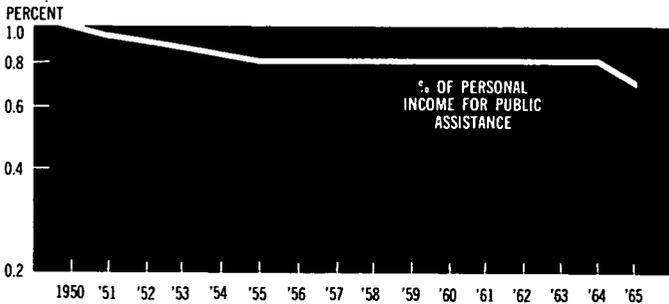
GROSS NATIONAL PRODUCT AND PERSONAL INCOME



Growth

... And

PERCENT OF PERSONAL INCOME SPENT ON PUBLIC ASSISTANCE



Decline

It must be noted, while actual dollar costs have risen, public welfare expenditures have decreased as a percentage of national personal income and gross national product.

3

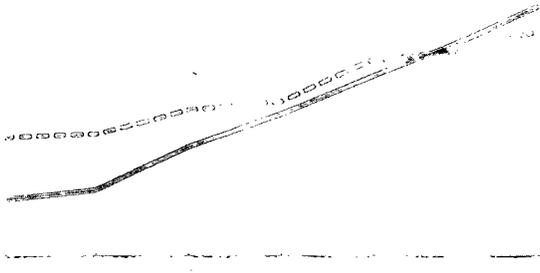
Public Assistance Payments Lag Behind the Economy

In the past few years, the average monthly public assistance payment per recipient has risen only slightly, while the average monthly wage has risen sharply. This lagging of public assistance payments behind the economy is a major cause of the increasing poverty of the Nation's low-income population.

The average monthly public assistance payment per recipient in 1965 was only \$10.10, or 10.1 percent of the average monthly wage of \$100.00. In 1956, the average monthly public assistance payment per recipient was only \$7.50, or 7.5 percent of the average monthly wage of \$100.00. This shows that the average monthly public assistance payment per recipient has risen only 33 percent in the past nine years, while the average monthly wage has risen 25 percent.

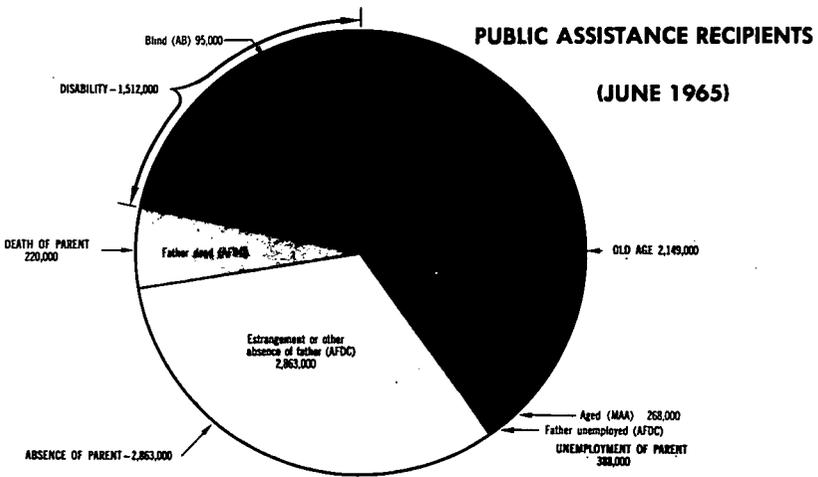
The lagging of public assistance payments behind the economy is a major cause of the increasing poverty of the Nation's low-income population. In 1965, the average monthly public assistance payment per recipient was only \$10.10, or 10.1 percent of the average monthly wage of \$100.00. This means that the average monthly public assistance payment per recipient was only 10.1 percent of the average monthly wage, while the average monthly wage was 100 percent of the average monthly wage.

AVERAGE
MONTHLY
PUBLIC
ASSISTANCE
PAYMENT
PER RECIPIENT
IN ACTUAL
AND ADJUSTED
DOLLARS
BY PROGRAM
(1936 TO 1965)



MAJOR CAUSES OF NEED AND DEPENDENCY

DEATH OF PARENT
 DEPENDENT CHILDREN
 OLD-AGE
 PERMANENTLY AND TOTALLY DISABLED
 BLIND
 ABSENCE OF PARENT



Possibilities for Self-Support

An examination of present caseloads highlights the fact that most public welfare recipients, with the exception of the children and the younger adults, cannot realistically be expected ever to become self sustaining.

For most public assistance recipients, complete self sufficiency is not an immediate practicable goal.

HEW Advisory Council on Public Welfare.

**STATE FISCAL ABILITY****AND FISCAL EFFORT****FOR PUBLIC WELFARE**

That there are fifty-four varieties of public assistance systems would not be so serious if the resulting programs were adequate to meet need and equitable throughout all local jurisdictions. Almost without exception, however, public assistance recipients live in poverty even while they receive assistance.

The high degree of reliance on State-local capacity, effort, and, to some extent, willingness to finance the public welfare program has been the major factor holding back development of adequate Nationwide programs.

CURRENT FORMULAS for Federal financial participation provide an inadequate base for achieving the twin goals of adequate and comprehensive public welfare programs:

The formulas do not take sufficient account of State fiscal ability and effort to finance adequate and comprehensive programs.

The hope that there would be equitable and adequate public welfare programs in all States as a result of Federal legislative action without mandatory provisions has not been realized. Some 30 years of experience in leaving the implementation of public welfare programs largely to the fiscal ability and willingness of the State demonstrates that inequities among the States, between programs, and most important between groups of recipients, will persist if the Federal Government does not assume a stronger leadership role.

HEW¹ Advisory Council on Public Welfare

PUBLIC ASSISTANCE PAYMENTS.

6

National Program?

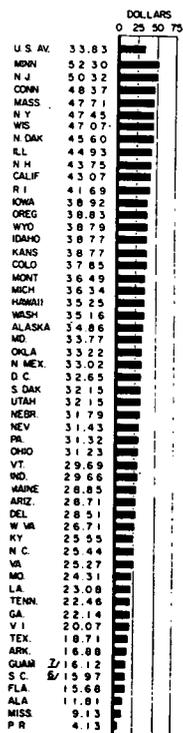
AVERAGE MONTHLY PUBLIC ASSISTANCE

Basic Social Guarantees?

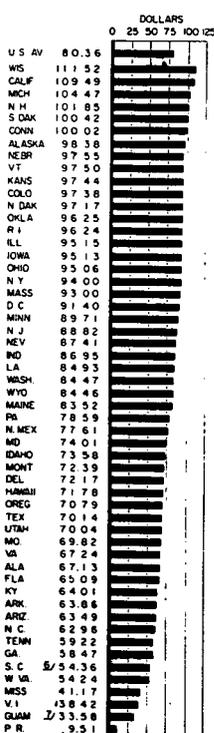
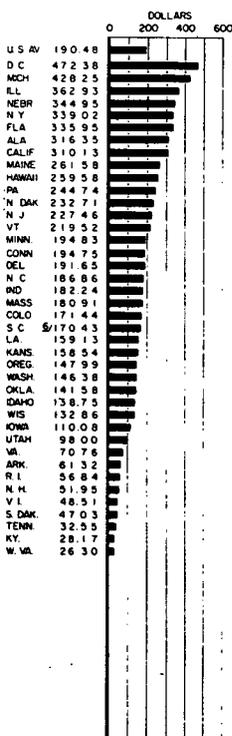
PAYMENT PER RECIPIENT

JUNE 1965

Federal-State Cooperation?

(EXCEPT FOR GENERAL ASSISTANCE,
INCLUDES VENDOR PAYMENTS FOR MEDICAL CARE.)AID TO FAMILIES WITH
DEPENDENT CHILDREN

OLD-AGE ASSISTANCE

MEDICAL ASSISTANCE
FOR THE AGED

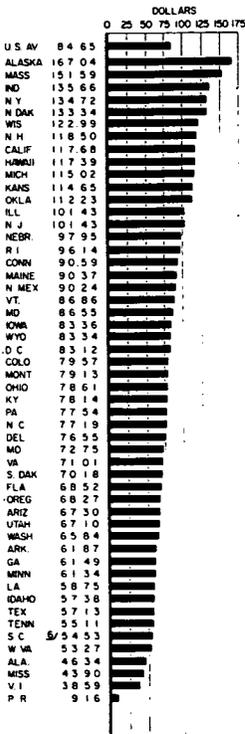
Federal participation in a nationwide program of public assistance payments that are grossly inadequate and widely variable not only perpetuates destitution and intensifies poverty-related problems but also contradicts the Nation's commitments to its poor.

Standards of assistance and average payments are not only low; they vary widely from State to State, as evidenced in the range of average payments in March 1966 for a dependent child from a low of \$8.71 a month to a high of \$52.28; and for an aged recipient from a low of \$40.92 to a high of \$123.16. Should a child or an aged person be considered more important in one State than in another?

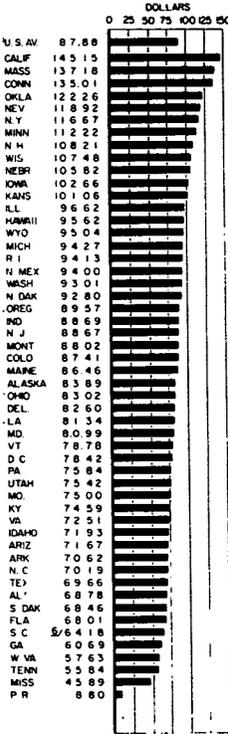
HEW
Advisory Council on Public Welfare

A guarantee which is not supported by adequate nationwide requirements and financing is—in the realities of modern America—no guarantee at all.

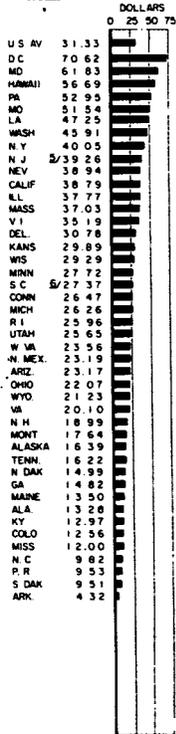
AID TO THE PERMANENTLY
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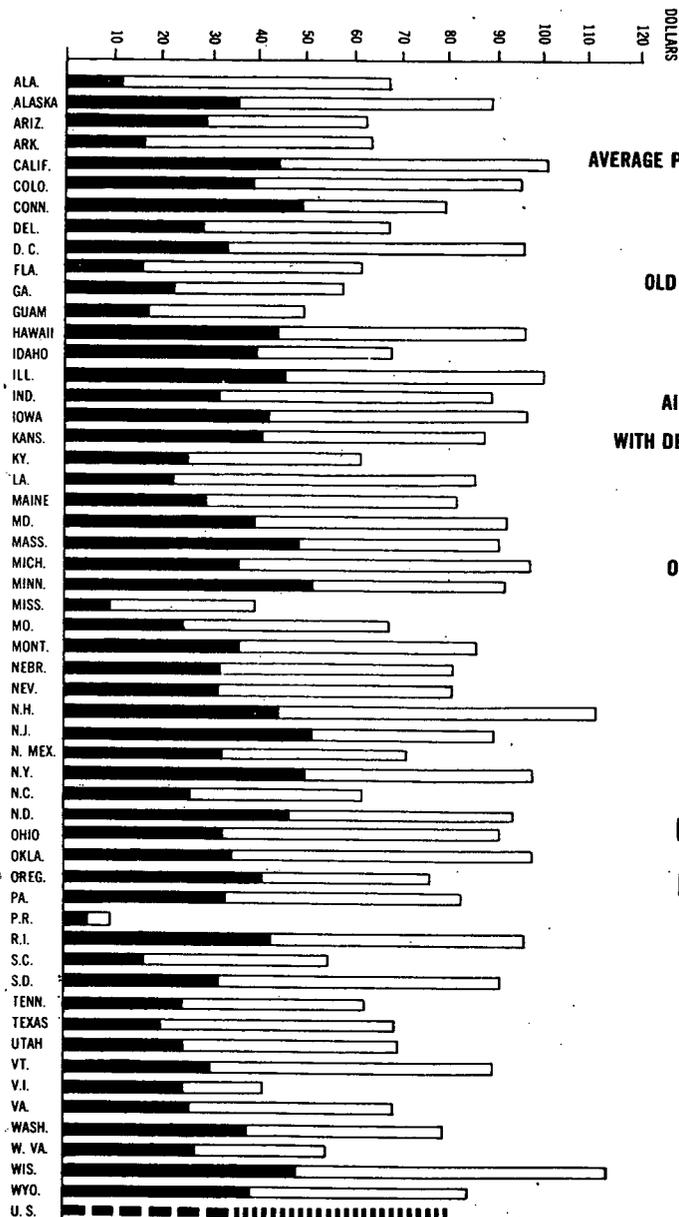


AID TO THE BLIND



GENERAL
ASSISTANCE





**AVERAGE PAYMENT PER RECIPIENT
FOR
OLD AGE ASSISTANCE
AND
AID TO FAMILIES
WITH DEPENDENT CHILDREN,
BY STATE,
OCTOBER 1965.**

□ OAA
■ AFDC

CHILD WELFARE ?

The vitality of any society can be measured by the way it treats the children on whom its own future health depends. Adults who in childhood have failed to receive the physical and emotional nourishment necessary for their own best development become, in their turn, inadequate parents, poor citizens, and economic misfits, incapable of the adaptations required by our technological society.

HEW Advisory Council on Public Welfare

Among the needy groups, children have suffered most from lesser Federal financial support.

CURRENT FORMULAS for Federal financial participation provide an inadequate base for achieving the twin goals of adequate and comprehensive public welfare programs:

The formulas provide more favored Federal financial support for some than for other groups of needy people. Children are the most disadvantaged.¹

As a result, while public assistance programs are rarely adequate for any needy group aided, the program likely to be most inadequate—often grossly inadequate—is Aid to Families with Dependent Children.

¹Maximum amount subject to Federal sharing: for children and parents—\$32 (AFDC); for aged, blind, and disabled—\$75.

An examination of public assistance medical care programs shows clearly that they have not provided adequately for financing health and medical care for the neediest of all children—those who are dependent on public assistance. In 1965 more than \$1.3 billion were spent on all public assistance medical care. Yet, the AFDC program, whose recipients comprise 60 percent of the entire assistance caseload, received only 12 percent of the medical benefits, and 10 States did not provide any vendor medical care programs at all for such children.

“ . . . present provisions and practices are tragically allowed to continue discrimination against those most rejected and most in need of special attention as part of the least visible, most helpless, and hopeless of the poor.”

STATE LIMITATIONS

FEDERAL PROVISIONS

EXCLUDE

RESIDENCE REQUIREMENTS

MANY OF THE NEEDY

ADMINISTRATIVE METHODS

Today, lack of Federal provision for large groups of needy people, plus further limiting requirements for groups that are included, prevent many of the most destitute from receiving needed assistance.

Many needy people do not receive assistance under programs provided for them by Federal law because the State in which they reside does not participate fully in available programs.

Among the poor not being helped by any federally-aided public assistance program are:

most needy children living with both parents or someone other than a close relative;

many children in need because of the unemployment of a parent;

needy otherwise eligible persons who have not resided in a particular State for a specified period of years;

persons rapidly losing their vision but not yet blind enough to qualify for assistance for the blind.

needy disabled adults who are not both permanently and totally disabled;

needy mothers who are employable but for whom no jobs are available;

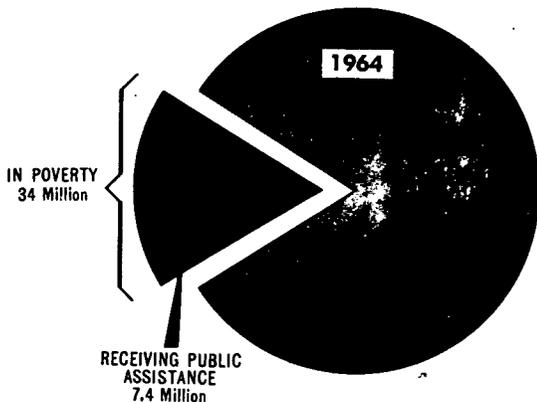
most needy adults under 65 years of age who are unemployed or unable to earn an adequate income;

It is widely known, for example, that nearly 8 million persons (half of them white) now subsist on welfare, but it is not generally known that for every person on the rolls at least one more probably meets existing criteria of eligibility but is not obtaining assistance.

**PROPORTION
OF POVERTY
GROUP
RECEIVING
PUBLIC
ASSISTANCE**

The average monthly total of New York City residents receiving assistance in 1959 was 325,771, but according to the 1960 census, 716,000 persons (unrelated or in families) appeared to be subsisting on incomes at or below the prevailing welfare eligibility levels (e.g., \$2,070 for a family of four). In that same year, 539,000 people subsisted on incomes *less than 80 per cent* of the welfare minimums, and 200,000 lived alone or in families on incomes reported to be *less than half* of eligibility levels. Thus it appears that for every person on welfare in 1959, at least one more was eligible.

Richard A. Cloward professor of social work at Columbia University.

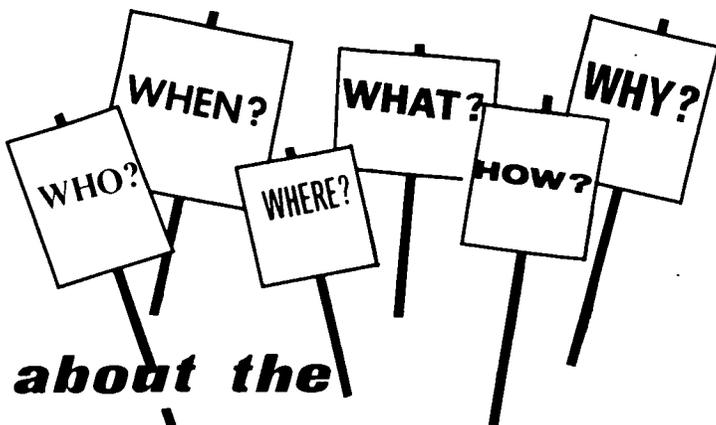


Under the public assistance titles of the Social Security Act, Federal aid is authorized to assist States, as far as practicable, to provide financial assistance, medical care, and appropriate social services only to specified categories of needy people: the needy aged, the blind, the permanently and totally disabled, and certain needy families with dependent children. No one else, however destitute, can qualify for financial assistance or other welfare services.

“One of the greatest obstacles to the improvement and expansion of public assistance and public welfare is the lack of understanding and support among community leaders and informed citizens. Many citizens who are otherwise interested in educational, charitable and civic matters simply turn their backs on public assistance . . .”

NOW!

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9
1968



about the

National Welfare Rights Organization

Official Publication of THE NATIONAL WELFARE RIGHTS ORGANIZATION — Headquarters:
Poverty / Rights Action Center, 1762 Corcoran St., N.W. Washington, D.C. — (202) 462-8804

What Is The National Welfare Rights Organization ?

THE NWRO IS A NATIONWIDE ORGANIZATION OF WELFARE RECIPIENTS and other poor people. It is made up of affiliated local welfare rights organizations from coast to coast. At present there are over 100 affiliated local groups in 26 states, and another 100 local groups in various stages of formation and affiliation.

THE NWRO IS A MEMBERSHIP ORGANIZATION. There are presently over 5000 dues paying members (families), and the NWRO directly represents the over 20,000 welfare recipients in these households. The majority of its members are families receiving Aid to Families with Dependent Children.

MOST NWRO GROUPS ARE LOCATED IN THE GHETTOS AND BARRIOS of major U.S. cities, but there are also groups located in rural areas of the South, Appalachia, and the Mid-West. NWRO includes substantial numbers of low-income whites, Puerto Ricans, and Mexican Americans, as well as Negroes in its membership. /

How Did The NWRO Come Into Being ?

OVER THE PAST SEVERAL YEARS welfare recipients in communities around the country have been organizing to protect themselves against the injustices of welfare, and to seek ways to help themselves and to change the welfare system.

IN MAY, 1966, THE POVERTY/RIGHTS ACTION CENTER was formed in Washington, D.C. and began contacting local welfare rights groups, supporting local organizing, and encouraging cooperative action among the groups.

SEVERAL NATIONAL MEETINGS AND WORKSHOPS were held and a National Coordinating Committee of Welfare Rights Groups was formed. On June 30, 1967 a major nationwide demonstration for welfare rights was held, with over 5,000 recipients in 40 cities uniting under the common banner of the National Welfare Rights Movement.

AUGUST 25-28, 1967 THE FIRST NATIONAL WELFARE RIGHTS CONVENTION was held in Washington, D.C. More than 300 delegates of local WRO's attended. A constitution establishing the National Welfare Rights Organization was written and adopted, national officers elected, and a platform of goals agreed upon.

What Are The Goals Of The NWRO ?

NWRO's GOALS ARE: jobs or income now--decent jobs with adequate pay for those who can work, and adequate income for those who cannot work.

1. ADEQUATE INCOME: A system which guarantees enough money for all Americans to live dignified lives above the level of poverty.
2. DIGNITY: A system which guarantees recipients the same full freedoms, rights and respect as all American citizens.
3. JUSTICE: A fair and open system which guarantees recipients the full protections of the Constitution.
4. DEMOCRACY: A system which guarantees recipients direct participation in the decisions under which they must live.

How Is The NWRO Organized ?

THE NWRO'S TOP POLICY-MAKING BODY is its annual National Convention made up of locally elected delegates from each affiliated group. Between conventions the NWRO is guided by its National Coordinating Committee which consists of the National Officers, elected at each convention, and one representative from each state with affiliated local WRO's, selected by the local groups.

THE POVERTY/RIGHTS ACTION CENTER SERVES as the NWRO National Headquarters. The Center is a private, independent non-profit organization, directed by Dr. George A. Wiley, who formerly served as Associate National Director of CORE.

THE NATIONAL HEADQUARTERS PUBLISHES the twice monthly NWRO National Welfare Leaders Newsletter, and other informational materials and pamphlets on welfare rights. The Headquarters assists local groups with research, legal backup, and organizing help.

Who Can Become A Member ?

INDIVIDUALS BECOME MEMBERS OF THE NWRO BY JOINING AN AFFILIATED LOCAL welfare rights organization. To affiliate with the NWRO, local groups must have at least 25 members, a majority of whom must be current welfare recipients, and the rest immediate past recipients, or low-income persons, with no more than 10% "other" persons. The group must be an independent group, or if part of a larger organization, able to function independently with regard to welfare rights issues.

OTHER PERSONS WISHING TO SUPPORT the welfare rights movement may become members of a "Friends of the Welfare Rights Movement" group, now being formed in local communities in cooperation with the NWRO Headquarters.

How Is The NWRO Financed ?

MEMBERS OF LOCAL GROUPS PAY \$1.00 as a joining fee with \$1.00 per month dues recommended. Most of this money stays with the local group, with small portions going to the support of citywide, statewide, and national headquarters.

HOWEVER, THE NATIONAL HEADQUARTERS AND LOCAL GROUPS DEPEND on contributions from private individuals, churches, unions, social worker groups and other friends as a major source of financial support. The National Headquarters also obtains some funds from foundation grants, and sales of the NWRO Newsletter, informational pamphlets, and greeting cards.

YOUR SUPPORT AND CONTRIBUTIONS ARE NEEDED AND WELCOMED!!!

How Can I Obtain Additional Information ?

Further information can be obtained by contacting:

POVERTY/RIGHTS ACTION CENTER, Headquarters
National Welfare Rights Organization
1762 Corcoran St., N.W. Washington, D.C. 20009
Telephone: (202) 462-8804

ADDITIONAL NWRO PAMPHLETS AVAILABLE FROM NATIONAL HEADQUARTERS:

"How to Link Up with the National Welfare Rights Organization"
"A Brief History of the National Welfare Rights Organization"
"How to Start a Local Welfare Rights Organization"
"Welfare--Guaranteed Poverty"

Officers of the NWRO

CHAIRMAN: Mrs. Johnnie
Tillmon, Los Angeles

Treasurer: Mrs. Marian Kidd,
Newark, New Jersey

First Vice-Chairman:
Mrs. Etta Horn, D.C.

Rec. Sec.: Mrs. Edith Doering,
Columbus, Ohio

2nd Vice-Chairman: Mrs.
Beulah Sanders, N.Y.C.

Corres. Sec.: Mrs. Dorothy
DiMascio, Rochester, N.Y.

3rd Vice-Chairman: Mrs.
Carmen Olivo, N.Y.C.

Financial Sec.: Mrs. Dovie
Coleman, Chicago, Illinois

Sargeant-at-Arms: Mrs. Alice
Nixon, Pittsburgh, Penn.



NWRO DEMANDS

for the

POOR PEOPLES CAMPAIGN

I. REPEAL OF THE WELFARE SECTIONS OF THE 1967 SOCIAL SECURITY AMENDMENTS (PUBLIC LAW 90-248 "ANTI-WELFARE LAW")

This law is the most regressive and racist piece of social legislation in the history of the country. Directly or indirectly, it affects the majority of residents of the ghettos and barrios of our country.

- A. It freezes federal funds for millions of needy children who are desperately poor but presently receiving no public assistance.
- B. It forces mothers to leave their children and accept work or training or be cut off welfare and have their children taken away from them.
- C. It seriously restricts the program of aid to children of unemployed fathers.
- D. It encourages welfare departments to further coerce and intimidate poor people.

II. A NATIONAL GUARANTEED MINIMUM INCOME OF \$4,000 FOR EVERY AMERICAN FAMILY.

Four thousand dollars per year for a family of four (with \$500 per person adjustments for more or fewer family members) would be a minimum to raise families out of poverty.

The Guaranteed Minimum Income should also:

- A. Provide annual cost of living adjustments.
- B. Be administered by a simple affidavit, similar to the income tax.
- C. Include a work incentive allowing families to keep all earnings up to 25% of their guaranteed minimum income and some portion of additional earnings.

III. FEDERAL FUNDS FOR IMMEDIATE CREATION OF AT LEAST THREE MILLION JOBS FOR MEN

There is a desperate need for jobs in the ghettos for men to permit them to assume normal roles as breadwinners and heads of families.

These job programs should:

- A. Focus on building critically needed low income housing and community facilities in the ghettos.
- B. Contribute manpower to extend vital human services such as health care, education and community organization.
- C. Give first preference to contracts with organizations controlled by poor people.

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NATIONAL WELFARE RIGHTS ORGANIZATION
HEADQUARTERS: POVERTY / RIGHTS ACTION CENTER
1762 CORCORAN ST. N.W., WASHINGTON, D.C. 20009. (202) 462-8804

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WELFARE

RIGHTS



OFFICIAL PUBLICATION OF THE NATIONAL WELFARE RIGHTS ORGANIZATION
Headquarters: Poverty/Rights Action Center, 1762 Corcoran St., N.W., Wash. DC (202) 462-8804

REPORT OF THE NATIONAL ADVISORY COMMISSION ON CIVIL DISORDERS

THE WELFARE SYSTEM

The Commission believes that our present system of public assistance contributes materially to the tensions and social disorganization that have led to civil disorders.

Our present system of public welfare is designed to save money instead of people, and tragically ends up doing neither.

This system has two critical deficiencies:

First, it excludes large numbers of persons who are in great need, and who, if provided a decent level of support, might be able to become more productive and self-sufficient. No federal funds are available for millions of men and women who are needy but neither aged, handicapped nor the parents of minor children.

Second, for those included, the system provides assistance well below the minimum necessary for a decent level of existence, and imposes restrictions that encourage continued dependency on welfare and undermine self-respect.

A welter of statutory requirements and administrative practices and regulations operate to remind recipients that they are considered untrustworthy, promiscuous and lazy. Residence requirements prevent assistance to people in need who are newly arrived in the state. Regular searches of recipients' homes violate privacy. Inadequate social services compound the problems.

The Commission recommends that the federal government, acting with state and local governments where necessary, reform the existing welfare system to:

- Establish uniform national standards of assistance at least as high as the annual "poverty level" of income, now set by the Social Security Administration at \$3,335 per year for an urban family of four.
- Require that all states receiving federal welfare contributions participate in the Aid to Families with Dependent Children—Unemployed Parents program (AFDC-UP) that permits assistance to families with both father and mother in the home, thus aiding the family while it is still intact.
- Bear a substantially greater portion of all welfare costs—at least 90 percent of total payments.
- Increase incentives for seeking employment and job training, but remove restrictions recently enacted by the Congress that would compel mothers of young children to work.
- Provide more adequate social services through neighborhood centers and family-planning programs.
- Remove the freeze placed by the 1967 welfare amendments on the percentage of children in a state that can be covered by federal assistance.
- Eliminate residence requirements.

As a long-range goal, the Commission recommends that the federal government seek to develop a national system of income supplementation based strictly on need with two broad and basic purposes:

- To provide, for those who can work or who do work, any necessary supplements in such a way as to develop incentives for fuller employment;
- To provide, for those who cannot work and for mothers who decide to remain with their children, a minimum standard of decent living, and to aid in the saving of children from the prison of poverty that has held their parents.

Panel on Civil Disorders Calls for Drastic Action to Avoid a Two-Society Nation

RIOT GENESIS SEEN IN WHITE RACISM

By JOHN HERBERS

Special to The New York Times

WASHINGTON, Feb. 29—The President's National Advisory Commission on Civil Disorders gave this warning to Americans tonight: "Our nation is moving toward two societies, one black, one white—separate and unequal."

Unless drastic and costly remedies are begun at once, the commission said, there will be a "continuing polarization of the American community and, ultimately, the destruction of basic democratic values."

The commission said "white racism" was chiefly to blame for the explosive conditions that sparked riots in American cities during the last few summers. But it also warned that a policy of separatism now advocated by many black militants "can only relegate Negroes to a permanently inferior economic state."

As for the civil disorders that ravaged American cities last summer, the commission said they "were not caused by, nor were they the consequences of, any organized plan or 'conspiracy.'"

Broad Proposals

The panel made sweeping recommendations at Federal and local levels in law enforcement, welfare, employment, education and the news media. It made no attempt to put a price tag on these recommendations, but they go far beyond social programs that are now in trouble in Congress because of a tight budget. They would cost many billions of dollars.

Drive for Jobs Asked

The following were among the commission's scores of recommendations for bringing about equality and integration:

- ¶ A revamping of the welfare system, with the Federal Government assuming a much higher percentage of the cost—up to 90 per cent—and with changes in administration that would help to hold families together.

- ¶ Immediate action to create 2 million new jobs, 1 million by the state, local and Federal governments and 1 million by private industry.

- ¶ Federal subsidy of on-the-job training for hard-core unemployed "by contract or by tax credits."

- ¶ Long-range approach to a "guaranteed minimum income" for all Americans through a "basic allowance" to individuals and families.

- ¶ Bringing 6 million new and existing dwellings within reach of low and moderate income families in the next five years, starting with 600,000 next year.

"Reaction to last summer's disorders had quickened the movement and deepened the division," the commission said. "Discrimination and segregation have long permeated much of American life; they now threaten the future of every American."

But the movement can be reversed, the commission said.

"The vital needs of the nation must be met," the commission said. "Hard choices must be made, and, if necessary, new taxes enacted."

The report has deep political implications. The commission is advocating that the nation go much further than the President has recommended in seeking new social legislation. It comes at a time, too, when the nation is deeply involved in the

war in Vietnam and there have been reports that the President might send in additional troops, further increasing the cost of the war.

Congress has been reluctant to increase domestic programs while the war is draining so much of the nation's resources—\$2-billion a month.

But the thrust of the commission's report is that the nation cannot afford to continue on its present domestic course, even if new sacrifices are needed.

The 11-member commission, headed by Gov. Otto Kerner of Illinois, was appointed by President Johnson last July 27 to find the causes of urban riots and recommend solutions.

Its report amounts to a stinging indictment of the white society for its isolation and neglect of the Negro minority. Its pages are filled with findings to bear this out.

"Segregation and poverty have created in the racial ghetto a destructive environment totally unknown to most white Americans," the commission said. "What white Americans have never fully understood—but what the Negro can never forget—is that the white society is deeply implicated in the ghetto. White institutions created it, white institutions maintain it, and white society condones it."

The report was considered remarkable in that it was chiefly the work of white, middle-class Americans, several of them politicians with white constituencies. Most of the commission members are known as moderates.

Some, however, said they were shocked by the conditions they had found in Negro slums during their seven months of work. Some believed at the outset that because of the extent of the rioting there was bound to be some conspiracy involved, some plan for rioting that had been carried out.

But the most exhaustive investigations could find no evi-

dence of this, the report indicated, even though it was clearly established that black militants had created a climate for rioting in their calls for violence. What the commission found over and over was evidence of white prejudice or ignorance that had led to Negroes being crowded into the inner city under a "destructive environment."

"Large-scale and continuing violence could result," the group said, "followed by white retaliation, and, ultimately, the separation of the two communities in a garrison state."

But the commission said "white racism is essentially responsible for the explosive mixture which has been accumulating in our cities since the end of World War II."

Police Are Warned

The commission also warned that "there is a grave danger that some communities may resort to the indiscriminate and excessive use of force." It went on:

"The commission condemns moves to equip police departments with mass destruction weapons, such as automatic rifles, machineguns and tanks. Weapons which are designed to destroy, not to control, have no place in densely populated urban communities."

The commission devoted one section of its report to other minorities who have worked their way out of poverty and segregation and are now asking why Negroes do not do the same.

"Today, whites tend to exaggerate how well and quickly they escaped from poverty," it said. "The fact is that immigrants who came from rural backgrounds, as many Negroes do, are only now, after three generations, finally beginning to move into the middle class."

"By contrast, Negroes began concentrating in the city less than two generations ago, and under much less favorable conditions. Although some Negroes have escaped poverty, few have been able to escape the urban ghetto."

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Questions and Answers about the NEW

LA Anti Welfare

Official Publication of THE NATIONAL WELFARE RIGHTS ORGANIZATION — Headquarters:
Poverty / Rights Action Center, 1762 Corcoran St., N.W. Washington, D.C. — (202) 462-8804

Questions and Answers about the new ANTI-WELFARE LAW

The Anti-Welfare Bill (H.R. 12080) was signed into law by President Johnson on January 2, 1968. It is now Public Law 90-248.

Q WHAT DOES THE LAW SAY?

A PL 90-248 is a complicated law with many parts. The most important things in it are:



THE FREEZE-
CUT GRANTS
DENY AID

Congress wants to keep welfare rolls from growing. This law tries to "freeze" the number of people on welfare by limiting the number of children the federal government will pay its share of welfare for.



WORK INCNETIVE
PROGRAM=FORCE
MOTHERS TO WORK

Congress wants to make as many mothers as possible go to work. This law will force many mothers to accept jobs or training or be cut off welfare.



FOSTER HOME
SERVICES=TAKE
CHILDREN AWAY

Congress wants to crack down on mothers with illegitimate children. This law encourages welfare departments to place more children in foster homes, take more mothers to court on neglect charges, and also to track down and harass fathers.



EARNINGS
EXEMPTION=KEEP
MONEY YOU EARN

To encourage people on welfare to work this law allows recipients and their children to keep some of the money they earn working full or part-time.

Q WHEN WILL THE LAW GO INTO EFFECT?

A Each state must change its welfare program to follow this law. This will take some time. Most of these important parts of the law go into effect this July--but states may start these programs sooner. Some states are already beginning to do these things now.

Cut Grants / Deny Aid

Q HOW WILL THE FREEZE WORK?

A On July 1, 1968 when the federal government stops paying its share of welfare for all children over the limit set in the law two things will be likely to happen:

1. Welfare Departments will try to "get tough" about letting any more people on welfare (and they will, of course, also try to cut people off wherever possible).
2. States will try to cut all welfare grants to make up for this lost federal money.

Q WHAT ARE MY RIGHTS?

A If your situation stays the same, you cannot be cut off. All states are required by federal law and the U.S. Constitution to treat people equally and anyone who qualifies for welfare must be aided even if the federal government doesn't pay its share.

If grants are cut they must be cut for all children equally.

Q WHAT CAN OUR LOCAL WELFARE RIGHTS ORGANIZATION DO ABOUT THE FREEZE?

A Start now to inform people of their right to welfare when they are in need. Pick a regular day when your group "sets up a table" at the welfare department to inform people who are trying to get help from welfare of their rights. This is how to stop welfare departments from illegally denying aid by using the freeze as an excuse.

Find out who decides how much money recipients receive in your state. Is it the state welfare director? a welfare board? the legislature? Then plan a campaign to RAISE grants-- this is the best way to fight against lower grants!

Force Mothers To Work

Q HOW WILL THIS "WORK INCENTIVE PROGRAM" BE USED TO FORCE MOTHERS TO WORK?

A The welfare department decides if you are an appropriate mother to be forced to work. All mothers who are to be required to work are then sent to the local state employment office. The state employment office decides if: you should be sent out to a regular job (any work that is available); or put into some kind of job training program; or if you need to have a special job created for you.

Whatever the state employment office decides you must accept unless you have good cause.

If you refuse then the welfare department will cut you off. Your children may still receive aid but their money may only be paid through someone else or to a foster parent.

Q WHAT ARE MY RIGHTS?

A Each step of the way you have rights!

You can appeal the welfare department's decision that you are an appropriate mother to be forced to work.

You can appeal the state employment plan for you if you think it is wrong.

You can appeal if you are finally cut off by welfare.

Q WHAT ABOUT DAY CARE FOR MY CHILDREN UNDER THIS PROGRAM?

A Welfare must provide standard quality day care for your children if they try to get you into this work plan. You can refuse work or training if welfare does not provide good day care for your children.

Q IF I WANT WORK OR TRAINING BUT WELFARE TRIES TO KEEP ME OUT OF THIS PROGRAM, WHAT CAN I DO?

A This is very important--if you want work or training you should demand that welfare provide day care for your children and find you decent work or training or create a job for you. This will help other mothers who feel they should be at home with their children. But you will need to be organized because welfare may try to force you to take bad jobs or training and you will have to fight to get what you want.

Q WHAT CAN OUR GROUP DO TO PROTECT OUR MEMBERS AND OTHER RECIPIENTS AGAINST FORCED WORK?

A The first time to fight is when your state welfare writes up its rules about which mothers are "appropriate" to be forced to work. Find out how these regulations are decided in your state and try to get mothers with pre-school children or children with special problems kept out of the program from the beginning.

Secondly, your group must begin to inform all welfare mothers of their rights: to adequate day care, to decent work and training, and especially their right to appeal what the welfare department decides for them. Big public meetings, door to door street campaigns, to get the word out are very important.

Third, you can plan pressure to make the welfare department and employment agency find jobs first for any men who are on welfare and then for women who want to work. Only after all these people have decent jobs should there be any forcing mothers out of the home. Getting a group of unemployed men to demand jobs right at the employment office where they are trying to force mothers to work would be a good action example!

Take Children Away

Q IF THE WELFARE DEPARTMENT TRIES TO TAKE MY CHILDREN AWAY, WHAT ARE MY RIGHTS?

A Your children cannot be taken and placed in a foster home against your will without a court hearing. You have a right to demand legal help to fight any attempt to take your children away from you. If welfare threatens to cut you off unless you agree to put your children in a foster home this is an illegal threat and you should make a big issue of it with your Welfare Rights group backing you up. You can appeal and maybe even take the welfare department to court over threats and tricks like this!

Q WHAT CAN OUR WELFARE RIGHTS GROUP DO ABOUT THIS FOSTER HOME ISSUE?

A Your group might want to make a big public issue of this by being out how welfare pays foster parents more to take care of children than they pay the mother and to show many of the other problems with foster care. Most social workers, psychiatrists and others who have seen the problems of foster homes will be on your side.

Money You Earn

Q HOW WILL THIS WORK?

A States may now let welfare recipients keep the first \$30.00 and 1/3 of the rest of earnings from any work. States must do this by July, 1969. Some will do it starting in the next several months. All income of a child in school full time or in school part-time but not working full time may be also kept.

Q WHO ACTION ON THIS?

A Your group needs to find out when your state will adopt this small but important benefit.

Other Bad Features

Q WHAT ABOUT OTHER BAD FEATURES OF THE LAW?

A There are at least three other important things in the law:

1. Aid to Children with Unemployed Fathers in the home is made even more difficult to obtain.
2. The Welfare Department is directed to work more closely with the courts and police on reporting neglect.
3. Also, welfare departments are to be allowed to make more use of protective and vendor payments--paying your grant to you indirectly through a "guardian" or paying your rent and bills. Instead of giving you the money directly.

Got The Message?

If you haven't got the message in this law yet here it is once more:

either welfare recipients and poor people will stick together, learn their rights, fight against this anti-welfare program

or
this law will help welfare departments seek out, attack, and destroy us one by one.

ORGANIZE! FIGHT BACK!
JOIN YOUR LOCAL WELFARE RIGHTS GROUP!

If there is no WRO in your neighborhood start one today. For information, write:
National Welfare Rights Organization
1762 Corcoran St., N.W.
Washington, D.C.

APPENDIX 7

TAX POLICY AND CHILDREN'S ALLOWANCES

By HARVEY E. BRAZER, The University of Michigan

To many of us the awareness that something less than \$15 billion per year would suffice to eliminate poverty in the United States in a source of both impatience and challenge. The impatience arises because the sum involved looks so small—less than 2 per cent of Gross National Product, about 6 per cent of total government spending, and about half of the annual cost of pursuing the war in Viet Nam—relative to the gains to be realized. And the challenge is found in the recognition that some means must be devised for effecting the required transfers.

Given one's impatience, a reading of the recent literature on schemes to alleviate or eliminate poverty leads to a sense of frustration, for it seems that no one plan is capable of achieving the objective at a cost that is not substantially greater than the so-called "poverty gap." Rather, it appears that the poverty problem must be approached from several directions by means of an integrated set of schemes, each of which can be expected to do no more than a part of the job. The difficulties involved arise, in part, from the fact that poverty stems from a wide range of causes, including prolonged unemployment, incapacity, when employed, to earn enough to bring income above the poverty line,¹ absence of a male head of family, and incapacity due to age of physical or mental infirmity.

But irrespective of why people are poor, their poverty tends to be transmitted from generation to generation through their children. Thus for at least a very substantial proportion of the poor our best hope for breaking the poverty cycle appears to lie in a program specifically aimed at those who suffer the misfortune of having been born to a family whose income is inadequate to provide the basic necessities of life. Without these necessities—decent shelter, adequate nutrition and clothing—provided in an atmosphere and in a manner that encourages aspirations and rewards effort and initiative, supportive programs in education and training are likely to be least helpful to those among the poor and near-poor who are most in need of help.

The needs of many of the poor may be met by expanding and improving existing programs under Social Security and categorical assistance. But the position of poor families with children, especially when there is an employed adult breadwinner present who is incapable of earning an adequate income, requires a new program. In our economic system employers are not expected to adjust workers' compensation to take into account the number of children dependent upon them. Nor should they be obliged to do so, for the obvious reason that the larger his family the more difficult would it be for the individual to find and keep a job. And yet, when earnings of the family head are low the children, unless these earnings are supplemented, are likely to be caught in the poverty trap.

It is not difficult, therefore, to make a formidable case for children's allowances and alternative programs designed to achieve the same objectives. Before examining the tax and broader fiscal policy issues associated with such programs, however, we should note that any one scheme that is designed to serve all or part of the needs of a segment of the poor population should meet several criteria. (1) It should not carry the stigma associated with a "dole" and its accompanying means test. (2) It should not discourage efforts to earn income. (3) It should be efficient, in the sense that the portion of the cost attributable to benefits realized by the non-poor is zero or as near to zero as is compatible

¹ For a fine summary of the literature see Christopher Green, *Negative Taxes and the Poverty Problem* (Washington, D.C.: The Brookings Institution, 1967).

with our first two criteria. (4) And it should be susceptible of being administered in a manner that neither involves continued or frequently repeated questioning of the right of recipients to benefits nor excessive costs.

These criteria, and the list is by no means meant to be exhaustive, impose conditions or constraints that should provide some guidance in the effort to narrow the choices among alternatives. In my examination of the alternatives I shall examine children's allowances and very briefly look into a tax credit for dependent children and the negative income tax.

CHILDREN'S ALLOWANCES

As we all know, the United States is the only major Western nation that does not have a children's allowance program. In some countries, such as Belgium, France, Germany, and Italy, the program is tied to social insurance and financed through payroll taxes imposed on the employer, whereas in Canada, Sweden, and the United Kingdom it is unrelated to social security and financed out of general funds. At current exchange rates monthly benefits per child range from about \$6 to \$10. Eligibility generally extends to all children, irrespective of family income.

Adoption in the United States of a similar program would suggest a monthly allowance per child under age 18 of about \$15, a figure that reflects our higher level of personal income. This would cost some \$12.5 billion per year, of which almost 80 per cent would go to children in non-poor families. Its net cost, were benefits to be subject to federal income tax, would be about \$10.5 billion. Financing this cost would entail such alternatives as additions of 1.8 percentage points to employer and employee social security tax rates or a 3.3 percentage point increase in all personal income tax rates.

It seems patently clear to me that a program with these dimensions has little appeal, irrespective of whether it is financed out of income or social security taxes. It would not go nearly far enough toward alleviating poverty among families with children, it is inefficient in the sense in which that term is used in our criteria, and its cost is excessively high when viewed against its limited accomplishments.

But rejection of a children's allowance plan more or less patterned after that of Canada and the major nations of Western Europe does not imply rejection of any or all such plans. A children's allowance of \$50 per month would remove an appreciable proportion of presently poor families from the ranks of the poor and, on this score, is appealing. But if it were to be paid to all families its gross cost would be, at about \$42 billion, unacceptably high. And, as in the case of the \$15 allowance, some four-fifths of this cost would be attributable to allowances paid to non-poor families. The problem, then, is to attach to it provisions that will serve to concentrate benefits primarily on the poor and near-poor and bring the net cost down to a feasible level, certainly below \$15 billion, while at the same time not imposing excessively high effective marginal tax rates on earnings of low-income families.

One means of reducing both the net cost of the plan and reducing the benefits accruing to middle and higher-income families is the inclusion of family allowances received in taxable income. Although other forms of public transfer payments, whether or not they are income-conditioned, are now generally tax exempt, this appears to be the result of a lack of overt policy rather than a part of an overall plan designed to achieve horizontal and vertical equity under the personal income tax. Exemption of children's allowances would be inconsistent with horizontal equity, for it would favor this source of income relative to others. Vertical equity, or equity among people receiving different amounts of income is, at best, a murky concept, but whatever it may mean it is hardly likely to be advanced by exemption of this form of income. Thus taxing children's allowances would appear to be consistent with tax policy aimed at greater equity under the personal income tax.

Subjecting a \$50 per month children allowance to income taxation would recoup approximately \$7 billion of its gross cost of \$42 billion, to bring the net cost to \$35 billion. Its further effect would be to increase the proportion of net benefits accruing to poor families from 20 per cent to over 25 per cent.

Under present income tax law the taxpayer is permitted an exemption of \$600 for himself and a like amount for his spouse (plus an additional \$600 if either is over 65 and/or blind) and each of his dependents. These exemptions

serve several purposes. They add a major element of progression to the income tax; avoid the administrative and compliance costs that would otherwise attach to taxing those with very low incomes; recognize that the first \$600 per capita of family income represents little or no capacity to contribute to the support of government; and they permit recognition of the fact that family size, at all levels of income, is an element in the determination of taxpaying capacity. What, if anything, is suggested by the introduction of a children's allowance for the role of the presently allowed income tax exemptions?

With respect to the exemption for the taxpayer and his spouse, as well as for dependents other than children who would qualify for the children's allowance, it seems to me that no change is called for. But the children's allowance should be viewed as a substitute for the exemption presently allowed for dependent children. The effect of this substitution would be to introduce an important element of the negative income tax at low levels of income, increase after-tax income of families and heads of households with taxable incomes of less than \$44,000 and \$36,000, respectively, and reduce it for those with higher taxable incomes. The effect of the suggested change is illustrated, for married taxpayers with two children at selected income levels, in Table 1.

TABLE 1.—EFFECTS OF CHILDREN'S ALLOWANCE SUBJECT TO TAX AND ELIMINATION OF EXEMPTIONS FOR DEPENDENT CHILDREN, MARRIED TAXPAYER, 2 CHILDREN

Adjusted gross income	Present law		With children's allowance		Increase in after-tax income
	Tax ¹	After-tax income	Tax ¹	After-tax income	
	0	0	0	\$1,200	\$1,200
\$1,000	0	\$1,000	\$56	2,144	1,144
\$2,000	0	2,000	200	3,000	1,000
\$3,000	0	3,000	354	3,846	846
\$5,000	\$290	4,710	692	5,508	79
\$7,000	603	6,397	1,034	7,166	768
\$10,000	1,114	8,886	1,574	9,626	749
\$20,000	2,910	17,090	3,490	17,710	620
\$30,000	5,372	24,628	6,135	25,065	430
\$50,000	12,188	37,812	13,254	37,946	13
\$100,000	34,848	65,152	36,136	65,064	-84
\$200,000	88,748	111,252	90,258	110,942	-314
\$400,000	207,300	192,700	208,854	192,346	-35

¹ For simplicity it is assumed that the standard deduction or minimum standard deduction is taken at incomes up to \$10,000 and that itemized deductions equal to 15 percent of adjusted gross income are taken at higher levels of income. It is further assumed that all of the taxpayer's adjusted gross income is in the form of wages or salary.

As is indicated in the table, the increase in after-tax income effected by the substitution of the children's allowance of \$50 per month per child for the dependents' exemptions begins at \$1,200 when income is zero, is \$1,144 when income is \$1,000, and \$1,000 when income is \$2,000, declining to \$740 at an income level of \$10,000, and assumes negative values at the top of the income range. But the fact remains that elimination of the income tax exemption for children eligible to receive a children's allowance reduces the net cost of the allowance only to about \$28 billion and the proportion of net benefits accruing to the poor is increased only from one-quarter to approximately one-third.

As we have outlined it thus far, therefore, our children's allowance plan meets three of our criteria but fails to meet the other one. Benefits would not carry any stigma; it offers simplicity in administration; and the increase in marginal tax rates on earnings is small. However, the cost of the plan is twice as high as would seem feasible and approximately two-thirds of the benefits accrue to the non-poor.

If we accept the criterion that is not met as an overriding constraint it is clear that something more is needed if the very poor are to receive children's allowances of as much as \$50 per month per child. It is also clear that this "something more" must involve impinging upon full compliance with our other criteria.

I believe it desirable to retain the distribution of the allowance to all families. Otherwise it would be necessary to define and identify the poor at least at yearly intervals, thus admitting a means test and all that it implies into the scheme.

Our task, then, is to devise a method for recouping the allowance from those whom it is not intended to benefit. In effect this suggests a "vanishing allowance," one that declines in value to the recipient at a substantially more rapid rate than can be accomplished simply by substituting the allowance for the dependents' exemption and subjecting it to ordinary income tax rates. If, however, we are to retain some differentiation for size of family in tax liabilities, the allowance should not be permitted to decline to zero.

One way in which this feature can be built into the children's allowance plan is by requiring that the taxpayer add to his tax liability as ordinarily computed (after including children's allowances received in income) an amount equal to an increasing proportion of children's allowances received as income rises. In developing the rate schedule to be used for this purpose two objectives conflict. The more steeply progressive we make it the smaller will be the proportion of net benefits accruing to the non-poor and the lower the total net cost. On the other hand, the steeper the progression the higher are the implied marginal tax rates on earned income. Clearly any suggested schedule must reflect the author's judgment and his own subjective terms of trade between minimizing disincentive effects and maximizing the share of benefits going to the poor while keeping costs within tolerable limits.

Before setting up an illustrative schedule and testing its impact upon families at various income levels, a decision must be made as to the concept of income to which rates are to relate. My own preference is to relate them to taxable income, including children's allowance, since this concept presumably reflects the family's welfare more precisely than adjusted gross income, because it offers the advantage of being the concept to which taxpayers are accustomed to applying tax rates, and because it would give full effect to the progression effected by the minimum standard deduction and exemptions for taxpayer and spouse. Alternative concepts of income are ruled out because their use would involve the disadvantage of losing the convenient tie-in with the income tax and the gain in administration and compliance ease that it offers.

I should propose, therefore, that under the individual income tax children's allowances be included in income, that exemptions for children eligible for the allowance be disallowed, and that taxpayers be required to add to their tax liabilities as otherwise computed an amount equal to a proportion of children's allowances received.

For convenience and simplicity it might seem appropriate to adopt the taxable income brackets to which the regular income tax rates apply for purposes of our schedule of children's allowance recoupment rates. But these brackets are too wide to permit avoidance of large increments in these rates. Thus I should prefer \$500 brackets up to \$4,000, \$1,000 brackets up to \$8,000, and use of the regular income tax brackets thereafter. A suggested rate schedule is presented in Table 2.

TABLE 2.—SUGGESTED CHILDREN'S ALLOWANCE RECOUPMENT RATE SCHEDULE, MARRIED TAXPAYERS¹

Taxable income		Children's allowance recoupment rate	Taxable income		Children's allowance recoupment rate
Over—	But not over—		Over—	But not over—	
0	\$500	0	\$4,000	5,000	40
\$500	1,000	0	\$5,000	6,000	45
\$1,000	1,500	10	\$6,000	7,000	50
\$1,500	2,000	15	\$7,000	8,000	55
\$2,000	2,500	20	\$8,000	12,000	60
\$2,500	3,000	25	\$12,000	16,000	65
\$3,000	3,500	30	\$16,000	20,000	70
\$3,500	4,000	35	Over \$20,000 ²		75

¹ Separate schedules would be required for single taxpayers and taxpayers filing as "heads of households."

² At these levels of taxable income the CARR declines as the individual marginal income tax rate increases, thus avoiding combined marginal rates in excess of 90 percent.

³ Minus marginal tax rate.

Under this schedule the value of the children's allowance would range from \$600 per year for each eligible child to \$60 at levels of taxable income in excess of \$12,000. At least one obvious difficulty presents itself, however. It enters in the form of extremely high marginal "notch-rates" that apply when taxable income moves from near the top of one taxable income bracket to the next higher bracket. To illustrate, suppose that a taxpayer with two children for whom he receives allowances has taxable income of \$2,499. His children's allowance recoupment rate (CARR) would be 20 per cent and he would add \$240 to his tax liability. If his taxable income rose to \$2,501 his CARR would rise to 25 per cent and his net income would actually fall by \$58 (\$300-240-2) plus any ordinary tax payable on his additional \$2 of income. This implies a marginal tax rate of more than 2,900 per cent! This problem might be solved in a number of ways. One of these is to apply a rate equal to that applicable to the next lower income bracket plus the increment in rate multiplied by the ratio of the taxpayer's taxable income falling within his bracket to the width of that bracket. Thus in the case at hand the CARR applicable to a taxpayer with taxable income of \$2,501 would be 20 percent plus $\frac{1}{500}$ of 5 per cent, or 20.01 per cent. His effective marginal CARR would be only 6 per cent (\$.12 on \$2) and his combined marginal tax rate 23 per cent (17+6). Thus there is no notch problem.

Assuming again, for illustrative purposes, families with from one to seven children eligible for the children's allowance and selected levels of adjusted gross income, Table 3 offers a ready comparison of the effects of the children's allowance on the family's net income position.

TABLE 3.—NET CHANGE IN INCOME AFTER TAX DUE TO SUBSTITUTION OF CHILDREN'S ALLOWANCE FOR EXEMPTIONS, TAXING ALLOWANCES AND APPLYING THE CARR, SELECTED INCOMES AND NUMBER OF DEPENDENT CHILDREN¹

Number of dependent children	Adjusted gross income							
	\$0	\$1,000	\$3,000	\$5,000	\$7,000	\$10,000	\$15,000	\$30,000
1.....	\$600	\$600	\$339	\$209	\$124	\$27	\$13	-\$112
2.....	1,200	1,144	618	355	218	39	-45	-211
3.....	1,800	1,674	934	483	289	42	-81	-311
4.....	2,344	2,008	1,186	590	315	36	-124	-410
5.....	2,874	2,305	1,377	684	313	21	-129	-510
6.....	3,112	2,562	1,572	832	304	-3	-226	-610
7.....	3,280	2,700	1,710	910	322	-45	-305	-709

¹ Computed as per assumptions stipulated in footnote to table 1.

The table clearly illustrates the fact that the net contribution of the children's allowance to family income declines both with income and the number of eligible children in the family. Thus, for example, with two children the benefits decline from \$1,200 when income is zero to just over \$600 at an income level of \$3,000, to \$355 when income reaches \$5,000, and to only \$39 at the \$10,000 level. Similarly, when income is, say \$3,000, the net gain begins at \$339 for the first child and decreases to less than \$200 for the sixth and seventh child.

That additional children bring declining net benefits may comfort those who are concerned with avoiding pecuniary incentives for bringing large numbers of children into the world. More important, in my view, is the fact that the plan reflects the reasonable assumption that rearing children is an enterprise with declining marginal costs.

I am not able to pretend to have a precise estimate of the net cost of the children's allowance scheme as it has been developed here. My rough estimate would place the cost at about \$12 billion, perhaps one third higher than one would like to have it. But it seems to me that the plan offers a reasonable way to achieve the desired objectives while meeting all of the criteria set forth earlier, not perfectly, but at least in very large measure. Obviously modification is possible and perhaps even desirable. One might wish, for example, to reduce

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

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

THE TAX CREDIT

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

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

THE NEGATIVE INCOME TAX

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

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

FINANCING CHILDREN'S ALLOWANCES

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

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

² See Green, *op. cit.*, especially chapters IV-VIII, and the references cited therein.

³ U.S. Treasury Department, Internal Revenue Service, *Statistics of Income, 1965, Individual Income Tax Returns* (Washington: U.S. Government Printing Office, 1967), p. 8.

billion. Growth at the rate of 6 percent per year would raise it further to approximately \$400 billion by 1969. On this base financing the net cost of the children's allowance plan would require an average increase in tax rates of 3 percentage points. If applied across the board it would mean raising taxes to a range of from 17 percent to 73 percent. Alternatively, 3 percentage points is slightly less than one sixth of the average rate of 19 percent applicable to taxable income in 1965. Thus another way of attaining the desired revenue objective would be by raising all rates by about 16 percent, to a range of 16.2 percent to 81.2 percent. Clearly the latter approach is to be preferred if more rather than less progression is desired.

But if one is to view the prospects for authorization and financing of children's allowances realistically he must take into account existing demands and pressures on the budget of the federal government. And these are such at present as to suggest that the best that can be hoped for is that cessation of hostilities in South-East Asia will release funds and resources in sufficient amounts, not only to make it possible to finance the plan, but to make it necessary to find means of sustaining an adequate level of demand in the economy. At this point in time children's allowances, hopefully, will stand high among such alternatives as massive tax cuts and sharp increases in other kinds of public expenditure. Clearly it will be far easier to obtain financing out of potentially large and unwanted federal "full-employment" surpluses than through enactment of increases in income tax rates. It is essential, however, that those who favor a meaningful children's allowance plan develop in full the details and appeal of that plan, so that they may be ready to offer it for public and Congressional approval as soon as the budgetary position of the federal government and the mood of the Congress become receptive to it.

APPENDIX 8

UNITED STATES COMMISSION ON CIVIL RIGHTS: STAFF REPORTS

Farm Programs

The Cooperative Extension Service and the Farmers Home Administration, together with the Agricultural Stabilization and Conservation Service (ASCS) and the Soil Conservation Service, are the major technical and financial assistance agencies of the Department of Agriculture. This briefing paper deals with the Cooperative Extension Service and the Farmers Home Administration. The Soil Conservation Service was not treated at the Montgomery hearing and the ASCS is the subject of a separate report by the Alabama State Advisory Committee to the Commission on Civil Rights, copies of which have been distributed.

The Extension Service and the Farmers Home Administration have been important in increasing the incomes and economic well-being of farmers throughout the nation. In Alabama and the Blackbelt they have been instrumental in assisting and financing the transition from cotton to other agricultural enterprises. Their services, however, have not benefitted the black poor of the 16 county hearing area.

The Commission on Civil Rights in 1965 studied the Extension Service and the Farmers Home Administration in its report, "Equal Opportunity in Farm Programs." The testimony at the hearing in Montgomery showed that the conditions described the 1965 report are substantially unchanged in 1968.

Cooperative Extension Service

The Commission investigated the Alabama Cooperative Extension Service to determine whether black farmers are receiving its benefits and whether the Service is effective in improving the farming practices and home life of black farmers and rural residents.

The Cooperative Extension Service, a joint Federal-State program of the Department of Agriculture, supplies current information about improvements in farming and homemaking practices to farmers and rural families, helping them identify their problems and assisting in devising solutions. At the Commission's hearing, testimony indicated that (1) the Alabama Cooperative Extension Service is not meeting the needs of black people—particularly those who are poor with only a few acres to farm; (2) the services it provides are racially segregated and unequal in violation of Title VI of the Civil Rights Act of 1964; and (3) the Extension Service discriminates in employment against black people.

Failure of program to reach low-income people

The work of the Cooperative Extension Service is carried out by the State Extension Services of the land-grant colleges in each State through a system of more than 11,000 farm and home agents in almost every county of the United States. These agents, acting as joint representatives of the Department of Agriculture and the land-grant colleges, work with local people on how to apply knowledge and information developed at the colleges to improve their farm, home, and community life. Linking the agents to the colleges are subject matter specialists who keep the agents informed of new agricultural advances and conduct demonstrations on how this knowledge should be applied.¹

¹ Extension work is financed from Federal, State, county, and local sources. Primarily the funds are used to employ the county agents and specialists who conduct the educational programs of the Extension Service. In fiscal year 1967, the breakdown of funds for Alabama was as follows: Federal: \$2,585,740 (41.4%); State: \$2,579,270 (42.0%); and County: \$1,035,694 (16.6%). Hearings of the Subcommittee on Agriculture of the House Committee on Appropriations "Department of Agriculture and Related Agencies Appropriations for 1968," 90th Cong., 1st Sess., PT II, p. 431.

In addition, the Extension Service organizes 4-H clubs and home economics clubs. The 4-H clubs, usually organized in public schools, enroll young people in projects which provide information and demonstrations on such subjects as farming and career exploration. The home economics clubs provide women with information and demonstrations on such subjects as food preparation, family budgeting and money management, health and sanitation.

The Extension Service programs, however, are not reaching many poor people. No special plan to reach low income people has been devised in Alabama. Dr. Fred R. Robertson, the State Extension Service Director, said that there are some demonstration programs but that they are inadequate because they are "vastly under-funded." The failure to reach low-income people particularly affects black people, who in the 16 county hearing area constitute 66 percent of the rural population and over 87 percent of the rural poor. Common responses to Commission investigators by black farmers and women were that they had never seen or had rarely seen Extension agents.

A reason for the Extension Service's failure to reach low income black farmers was suggested by Calvin Orsborn, black owner of a cotton gin in Selma and business manager of the predominantly black Southwest Alabama Farmers Co-operative Association (SWAFCA). Mr. Orsborn told the Commission that the inability of many poor black farmers to follow recommended farming practices stems from their lack of resources to finance the necessary costs.

[We] can determine how many pounds or tons of fertilizer a man needs or what variety of seeds he needs and all this. And how much insecticide he needs on his crop. That is all well and good, to tell this man this. But now, if this man cannot follow recommended practices, if he doesn't have the finances and . . . the means to get finances to follow recommended practices, you are telling him [something that] does no good.

I think Extension realizes this, and if they are short staffed, then why bother with these little people who can't follow recommended practices anyway? . . . you're spinning your wheels really, so Extension has to concentrate on people who can follow recommended practices so their program will be successful. . . .

Mrs. Clara Walker, a farmer in Dallas County and an administrative assistant in SWAFCA, testified that many members "didn't even know what a soil test was, they hadn't heard about it."

The Department of Agriculture programs has under the Farmers Home Administration which provide loan funds to farmers to follow recommended practices. But, as the hearing testimony on the Farmers Home Administration indicated, the loan programs of the Farmers Home Administration have little impact on the poorest black farmers. SWAFCA has attempted to remedy this by lending money to its members so that they can put into practice the recommendations of SWAFCA's field representatives and horticulturists.

Discriminatory and unequal service to Negro farmers

Even when black farmers receive services, they generally are not equal to those received by white farmers. The inequality stems from the fact that (1) nearly all visits by white agents are to white farmers and nearly all visits by black agents are to black farmers, (2) black agents have a much heavier case-load than white agents, since there are many more white than black agents serving a population which is predominantly Negro, and (3) white agents have received better inservice training than Negro agents and have been able to specialize, while Negro agents remain generalists.

(a) *Racially segregated services.*—Historically the Extension Service in Southern States was segregated. Black agents were trained at segregated agricultural schools, occupied separate offices and worked only with black farmers, families and youth. Title VI of the Civil Rights Act of 1964 prohibited racial discrimination in programs receiving Federal financial assistance, and the Department of Agriculture in implementing regulations specifically prohibited "discrimination in making available or in the manner of making available instructions, demonstrations, information, and publications offered by or through the Cooperative Extension Service." Nevertheless, the Commission in its 1965 report, "Equal Opportunity in Farm Programs" made the following finding:

Responsibility for work with Negro rural residents, in counties where Negro staff are employed, is assigned almost without exception to the Negro staff and the caseloads of Negro workers are so high as not to permit adequate service.

In 1968, the conditions disclosed at the hearing showed that there has been little change in blackbelt Alabama since the Commission made its finding three years earlier.²

Staff members in their investigation analyzed activities reports of agents in 12 Alabama Black Belt counties. These reports show services rendered to rural persons by race in two months (April and October) of 1967. It was found that 91 percent of the office and field visits made by white extension personnel were made to whites. At the same time, 97 percent of visits to black farmers, rural families and 4-H youths were made by black agents. Dr. Robertson, the State Extension Service Director, testified that the Extension Service is "supposed to work by the demonstration method, and through volunteer leadership." Service has "always been on a freedom of choice basis" and "this perhaps is due to custom and tradition and longevity that you would have a natural inclination by many Negro farmers and homemakers to request services from people of their own race." The Extension Service, however, was racially segregated as a dual system until 1965 and there is no evidence to suggest that any procedures for a meaningful choice have been instituted since that time. "Freedom of choice", moreover, cannot explain why black agents are assigned to work with 4-H youth only in black schools and white agents only in white schools. Dr. Robertson testified that instead of desegregating the 4-H clubs he was waiting for the schools—now, fourteen years after *Brown v. Board of Education*, virtually segregated, with roughly 1.7 percent out of the Negro children in the 16 county area attending all-Negro schools—to become integrated:

You have to make a choice as an administrator. What you can do to serve the most good—now, I had the choice to pull out all the 4-H clubs from the schools and go to a community basis and say, these are going to be open to 4-H Club meetings and no discrimination—or, in other words, just let the chips fall where they may.

And the other alternative was to remain in the schools, and as the schools become integrated, the clubs would become integrated. I chose the latter.

... Now the State of Mississippi did [the former], and I think they have perhaps a fourth as many 4-H Club members. So it is a value judgment as an administrator, which course to take.

(b) *Disparity between case loads of white and Negro agents.*—In the twelve counties studied, there were 46 white extension agents and only 26 Negro extension agents to serve a rural population of potential recipients of more than 72,000 Negroes and 27,000 whites. In view of the degree of segregation in services, each Negro agent had a potential workload almost five times that of each white agent. In Greene County, for example, there was a single Negro male agent for more than 2,400 Negro farm operators and young men of 4-H club age—potential recipients of extension services—while there were two white male agents for only approximately 400 white farm operators and young men of 4-H club age. In Hale County there was a single Negro female agent for nearly 3,100 Negro women and girls of home economics club and 4-H club age but there were two white female agents for only 1,100 white women and girls of home economics club and 4-H club age. Thus if a black person was served at all, it was by a Negro agent who was overworked; the white person was served by a white agent who had the time to spend on his problems.

(c) *Better inservice training and greater specialization.*—Black and white agents, most of whom have been graduated from segregated land-grant colleges, may have been equally well trained at the time of graduation. Over the years, however, black agents have been left out of the information meetings, seminars and training institutes attended by their white peers, and their land-grant institutions have received less appropriations for agricultural research than white

² In its 1965 Report "Equal Opportunity in Farm Programs" the Commission recommended that the President direct the Secretary of Agriculture to end discriminatory practices in the Department. In a report on "Progress of Cooperative Extension Service in Meeting Adverse Findings of the Report 'Equal Opportunity in Farm Programs'", the Department's statement on segregated service is as follows:

Subject matter assignments are made with increasing frequency on the basis of agents working in their areas of speciality without regard to race. However, with regard to 4-H and Home Economics activities, progress is particularly needed to ensure that no assignments are made on the basis of the race of the agent or the clientele. Since consolidation of white and Negro county offices, and the assignment of staff members on a program or subject matter basis, efforts have been made to increase the amount of time Negro agents spend in assisting white clientele, and the amount of time white agents spend in assisting Negroes. (Letter of May 23, 1968, from Secretary Freeman to Rev. Abernathy in response to requests made by the Poor People's March, Attachment D.)

agricultural schools and therefore have been less able to serve them well. Furthermore, counties generally hired only one black agent and two or more white agents. The whites were able to concentrate on specialties, such as 4-H work, livestock and agricultural enterprises. The black agent, on the other hand, served a much larger population and had to be a generalist. As a result the black agents, knowing less than the white agents, have provided less satisfactory service to the farmers they serve.

The gap in training between white and Negro agents was confirmed by the State Extension Service Director. Asked whether there would be problems if Negro agents were told that in the future they should go out and serve white people and white agents were told to serve Negroes, Dr. Robertson said it would be difficult to select which agents should serve those of another race and that if a Negro were sent out "you might run into trouble on some of the technical information in relation to beef cattle or some of the other highly technical subjects."

(d) *Underenrollment of black youth in 4-H Club Projects aimed at furthering social and economic opportunity.*—Among the aims of 4-H Projects are giving young people knowledge of scientific agriculture and home economics, exploring career opportunities and continuing needed education. These aims, however, are more fully realized for white youth than for black youth. For example, in Alabama white youth tended to be enrolled in such projects as tractor use, raising of beef cattle, personal development, career exploration and home management while black youth tended to be enrolled in such projects as field crops and poultry. This difference in project emphasis is explained in part by the fact that, following "custom," the Extension Services assigns black agents to service the Negro schools. The black agents usually do not specialize in the subject areas involved because historically Negroes have been limited to traditional agricultural activities and restricted in their opportunities.

3. *Discrimination against Negroes in extension service employment*

The testimony also disclosed that black people are excluded from significant positions in the Service. Although twelve of the counties in the hearing area were predominantly Negro, the State Director, Mr. Robertson, who appoints persons to the positions of County Extension Chairman and associate chairman, testified that no black people held these positions because no local governing board—all of which are controlled by white persons—had ever recommended a black person.³ He gave the following explanation:

... as you know, we work on a cooperative basis, about 42 percent of our budget comes from Federal and about 58 [percent] from the State and county. And over the years we have, and we still think this is a basically sound idea, to stay with the power structure in order to keep the lines of communication and the rent coming in.⁴

Asked whether he would affirmatively suggest to a local governing board that it recommended a Negro county chairman, Dr. Robertson replied:

I don't think this would be a good administrative move, frankly. I don't do it because he is a Negro but I have a lot of compassion and feeling for his effectiveness and his future.

* * * * *

I think you have to recognize the fact to be a county chairman there is a great deal more than just being a representative of the county. You have to maintain contact with the technical field, with the land grant universities and with the business community. And the county people and so forth.

Negro extension workers in the Alabama State Extension office at Auburn are given titles different from whites although they do the same work. For example, in 4-H work the black agents are known as 4-H Club Specialists and their white counterparts are known as 4-H Club Leaders. In home economics work, two black workers are known as District Home Agents while their four white counterparts are known as Associate District Extension Chairmen. In work with farmers, the two black agents are known as District Farm Agents while their four white counterparts are known as District Extension Chairmen. Of the 112 employees, only eight—all transferred from Tuskegee Institute in order to comply with the Civil Rights Act of 1964—are black. Black extension workers, regardless of experience, are subordinated to white extension workers.

³ Of the approximately 1,385 county chairmen in the 16 Southern States, none are Negro.

⁴ The county contribution to Extension work in Alabama averages only about 16% of the total Alabama Extension Service budget.

The Commission's hearing and investigation also disclosed that the Department of Agriculture has not dealt satisfactorily with the matter of eliminating segregated offices. In Montgomery, a Commission staff member observed that the black agent and his secretary occupy an office in the Post Office building isolated from the area where all of the white agents and their secretaries have their offices. Another incident was described in testimony at the hearing.

When the Sumter County Extension Office was directed to desegregate in 1965, the black employees were moved from another building into the same building as the white employees, but their offices were located in another section of the building. The Chairman of the Sumter County Extension Service, B. B. Williamson, Jr., testified that in 1967 he was ordered by the Department of Agriculture to desegregate his office. This was accomplished by moving the black secretary into what had been the storage room and moving the supplies into the office used by the two white secretaries. The white supervisor of the home demonstration agents shared her office with a white subordinate, while the subordinate black demonstration agent was placed in an office by herself. The two white farm agents also shared an office, while the black agent had an office to himself.

This practice of office segregation not only violates the prohibition of the 1964 Civil Rights Act against discrimination in federally assisted programs, but it facilitates choices by the whites to seek service from whites and blacks from blacks. Sumter County had one of the highest rates of segregated service in any of the counties investigated by the Commission—95 percent of white agents' time and visits were with whites and 98 percent of black agents' time and visits were with blacks.

Farmers Home Administration

The Farmers Home Administration was established in 1938 to help small tenant farmers get out of debt, acquire family size farms, and build decent homes and communities. The financial and technical assistance provided by FHA over the years has been an important factor in maintaining the family farm as a significant part of American agriculture.

The Commission discovered, however, that in the 16-county Black Belt region of Alabama FHA programs have had only a negligible effect on black rural poverty and that white farmers and rural residents, who represent only 38 percent of the rural population in the 16 counties, receive by far the greater share of FHA resources. Testimony at the Commission's hearing also showed that the loan practices of FHA tend to perpetuate rather than alleviate the economic dependency of black farmers and rural residents by providing them primarily with marginal subsistence loans rather than growth and development loans.

The Commission learned that for Negro farmers agriculture is little changed from the 1930's. They continue to plant only a few acres of cotton and some feed corn. They plow and cultivate with mules and sow, fertilize and spread insecticides and weed poisons by hand. They mortgage their crops before the planting season to their landlords and to the furnishing merchants⁵ for rent, seed, fertilizer, poisons and rations or cash for subsistence, for which they are charged six to eight percent interest on the principal and outstanding indebtedness. At the end of the harvest they have nothing and often owe more than they have taken in. Approximately two-thirds of the black farmers in the 16 county area of rural Alabama investigated by the Commission farm less than fifty acres. Economic progress has been made in Southern agriculture, but today black farmers are not significant in the farm economy of the Black Belt except as a source of economic exploitation by white landowners, furnishing merchants and others.

Unequal Participation in FHA Programs

Contrary to the original intent of Congress in establishing the Farmers Home Administration, poor black farmers in Alabama have benefitted little from FHA programs.

Much of the capital required to finance the shift from row crops, such as cotton, to diversified farming has been provided by FHA at favorable interest rates. In addition, FHA County Supervisors have been active in encouraging many farmers to diversify and have provided the necessary technical assistance

⁵ A "furnishing merchant" makes advances of goods to farmers in return for a mortgage on the farmer's crop.

to make the transition a successful one.⁶ But this assistance has mainly benefited white farmers.

Today only 32 percent of white-operated farms in Alabama are still classed as cotton farms; 78 percent of Negro-operated farms are so classified. Robert C. Bamberg, State FHA Director, explaining the role of FHA in financing the shift from cotton to diversified agriculture, stated that "I expect that we financed 75 percent of the dairymen in Alabama . . ." Dairying was a \$50 million farm business in Alabama in 1967, but of the State's 1,400 commercial dairy farms only 65 were operated by Negro dairymen. The Farmers Home Administration has helped many farmers with only small acreage to enter the poultry business, which is Alabama's number one source of farm income for 1967. But of the State's 5,900 commercial poultry farms only 32 are operated by blacks. FHA has been the single most important source of financing for livestock operations of all sizes, but less than 4 percent of the black operated farms were considered livestock farms while nearly one-fifth of the white operated farms were livestock operations.

FHA Loan Programs

Generally individual farmers and rural residents obtain five types of loans from the Farmers Home Administration—operating loans, farm ownership loans, rural housing loans, emergency or disaster loans and economic opportunity loans. The loans are made on favorable terms at low interest rates. FHA closely supervises the loans by placing funds in supervised accounts, devising a farm-home plan with the borrower, and furnishing him with technical assistance from FHA experts in farm management, home construction, livestock management and other farming practices. This active supervision of high risk loans reduces the rate of failures and affords the borrower the benefit of FHA management experience.

The testimony of Charles Griffin, a black farmer who farmed all his life on the plantation of J. H. Hain in Dallas County and who was evicted two years ago, suggests what FHA could mean to poor black farmers. He and 11 other black tenant farmers, after great effort, secured economic opportunity loans from FHA which they used to purchase some acreage. He testified what his first year of farm ownership meant to him.

. . . when I was on the Hain place, I was just blind, didn't know nothing but work, make it and give it to him, but now if I make anything I know which way it went, I know what I made and know what it bought and everything. That's a lot better; just 25 or 30 years too late. I hope it ain't though.

I hope I have some more years to live and get some enjoyment out of it.

Black farmers however, are not participating in proportion to their numbers in FHA loan programs. White farmers and rural residents received the majority of FHA loan funds in the 16 county area and a proportion of funds far greater than the proportion of the population which they represent. Whites in 1966 and 1967 constituted 24 percent of the borrowers but received 57 percent of the funds;⁷ blacks, who constituted 76 percent of the borrowers, received 43 percent of the funds.

In the 16 county area, during 1966 and 1967, applications for loans and loans to black farmers were concentrated in the operating and economic opportunity loan programs. Of a total of 1,875 FHA loans made to Negroes in this area, 1,565 were operating or economic opportunity loans. Operating loans consist of advances for the purchase of feed, seed, and fertilizers. Although these funds can be used to purchase machinery or livestock, very few of the operating loans made to Negroes were approved for these purposes. Economic opportunity loans are made to increase the income-producing capacity of rural residents.⁸

⁶ The Commission's 1965 Report "Equal Opportunity in Farm Programs" noted:

"A borrower is not left to decide for himself what kind of loan he will request and receive. The FHA staff plays a vital role in helping him decide the uses to which FHA funds will be put. . . . When a farmer comes in to apply for a loan, the FHA county supervisor often takes the initiative, and recommends the acquisition of additional land, enlarged allotments, off-farm employment, soil conservation assistance, and the use of extension specialists or other educational resources to improve the economic position of the farmer." at p. 72.

⁷ Thus, the situation is substantially unchanged since the Commission, in its 1965 report "Equal Opportunity in Farm Programs", surveyed 13 Southern Counties (two of which were Wilcox and Greene Counties in Alabama and found that 33 percent of the borrowers were white and received 66 percent of the funds.

⁸ The maximum limit on economic opportunity loans is \$3,500 per borrower. The average economic opportunity loan to Negroes in the 16 county area was \$1,508 (the average economic opportunity loan to whites was \$1,712).

In dollar amounts, FHA loaned \$3,034,960 to Negroes in all FHA programs in 1966 and 1967; of this amount \$1,958,840 was in the operating and economic opportunity loan programs. This means that 64 percent of the money loaned to Negro farmers went for subsistence or marginal developments purposes rather than for growth and capital improvements. Most of the money loaned to whites was concentrated in rural housing and farm ownership loans, and thus were for growth and development.

NUMBER AND TOTAL AMOUNT OF FHA LOANS, 16 ALABAMA BLACK BELT COUNTIES, FISCAL YEARS 1966 AND 1967

	White		Black	
	Number	Amount	Number	Amount
Operating.....	306	\$1,208,220	1,226	\$1,493,700
Farmownership.....	71	950,832	53	359,380
Rural housing.....	184	1,730,300	155	664,590
Economic opportunity.....	26	43,840	339	465,140
Emergency.....	9	41,660	102	52,150
Total.....	616	3,974,852	1,875	3,034,960

The size of a loan, in part, is related to the ability of the borrower to repay the loan and those borrowers with larger operations, proportionately more of whom are white, are more likely to be able to repay larger loans. As State FHA Director Bamberg explained, "some people have more resources to borrow more money than others . . . it goes back to this, in many cases our nigger [sic] population has small acreage. . . . Well, there is a tremendous difference [between] what we would loan to a man who has 170 acres and one who had 2 or 12."⁹

The Commission heard testimony that to borrow money, a farmer needs security, a history of crop production and some means of repaying the loan. Many of the black farmers were unable to meet these conditions.

Calvin Orsborn, business manager of the Southwest Alabama Farmers Cooperative Association, a predominantly black farmers cooperative, testified:

A large segment of our people don't either have one of these basic requirements. . . . most of these fellows have worked 30 or 40 years in a plantation type setup. All of the production that they made, everything that they did for 30 or 40 years, the credit did not go to him, the credit went to the plantation, which means when this fellow is put off of this place or when he decides to move he has no history. He can show no basic method of repaying this loan and he has no security nine times out of ten.

One result is that black farmers must seek credit from furnishing merchants who have done business with them for many years instead of going to banks or the Farmers Home Administration. L. R. Haigler, a white furnishing merchant who does business in Lowndes County, was asked why black farmers came to him rather than to banks for financing, despite the fact that his interest rates were higher. He answered:

Well, just been doing business with us so long. I reckon that would be the answer. We have been in business down there—my father did this business and my grandfather did it. So I just imagine that's the reason . . .

The banks don't—wouldn't go out on a limb like I would, naturally, because they don't know too much the history of these people like we do, see.

Rural Housing Loans

The Commission heard testimony that the need for housing for blacks in rural areas of Alabama is "grave." More than 90 percent of the rural housing

⁹ Mr. Bamberg—the person responsible for administering Farmers Home Administration programs in Alabama—also operates a 4,000 acre farm in Perry County. He rents on a share basis to about 25 black farm families, advances them seed, fertilizer, cash for rations and charges six percent interest on balances through September 1 of each year. As State Director of the Farmers Home Administration he is responsible for administering loan programs that provide funds for purposes similar to those for which he lends money to his tenants and for which the Government charges five percent interest. Asked whether this practice was inconsistent with his responsibility for administering programs destined to lift tenant farmers out of the debt cycle Mr. Bamberg stated that he runs his office by the rules and his farm to make the most money for his family. He also volunteered to the Commission: "The 'human kingdom' is just like the 'animal kingdom'. The strong take it away from the weak, and the smart take it away from the strong."

occupied by blacks is substandard. Farm tenant evictions continue to create many homeless black people in the 16-county area.

In 1966, FHA made rural housing loans to 64 whites and 63 blacks in the 16 counties; blacks received less than half the money loaned to whites. In 1967, the Farmers Home Administration made 212 rural housing loans in the 16 counties. Whites received 120 of the loans which totaled \$1,141,000. Blacks received loans totaling \$440,460.

Reverend Daniel Harrell, who directs a self-help housing project in Wilcox County, testified that even if FHA loaned all its rural housing money to blacks it would not help those who need help the most:

Now through Self-Help housing we can reach only a certain group of people. Because they have to have the ability to repay the loan. And a lot of people in Wilcox County are not making over \$500 a year . . . these people are left out. . . .

Reverend William Branch of Greene County told the Commission how the black community drew on its own meager resources to house evicted tenant families after they were turned down by FHA:

. . . many of them went to the FHA there in the county to try to secure some help in building these houses. But, due to the small acreage or the small lots, and due to having no income whatsoever, they were not approved, their loan was not approved.

* * * * *

And we have spent many, many nights calling people together who already have land. We couldn't buy land from the whites, and calling these people together who had land and we had to sit down and sometimes had to reflect on the Scripture saying, "When the Master came," we said, "When I was outdoors you took me in, when I was naked you gave me clothes." And we used that statement, and we have converted a lot of people who owned land to be willing to permit those people to either live on their land free of charge, until they can do better, or sell them a portion of that land.

Discrimination by FHA Committees

All loans made by the Farmers Home Administration are first approved by a local committee in each county composed of three persons representative of the rural population eligible for FHA assistance. Negro witnesses stated their belief that racially discriminatory attitudes on FHA County Committees may be a factor in refusing loans to black applicants.

Reverend Daniel Harrell, who has assisted a number of evicted tenant families in purchasing land on which to build, testified that:

I think FHA is okay, but I am kind of questioning FHA's committee. I do know of a case down in Coy, where Mr. Le Croy [the county supervisor] and I sat down in his office. I took into him 14 applications, we discussed them and he knowing most of the people because he has been in the county for maybe 15 or 16 years, maybe more than that. He and I came to the conclusion that nine of these said persons would pass. However, out of the whole group after the committee meeting, out of the total group of 14 persons, only one passed. And so I kind of question the committee a little bit.

The Farmers Home Administration has directed that at least one black person be placed on each local committee. Although this directive has been followed, in no county in which black rural residents predominate has more than one black person been named to the local committee.

Supervised Credit

Testimony was heard that the supervised credit policy of FHA when applied to self-help cooperatives conflicts with efforts to establish initiative and self-reliance in the members. William Harrison, president of the largest black cooperative in Alabama, the Southwest Alabama Farmers Cooperative Association (SWAFCA), told the Commission that "the whole idea behind SWAFCA is to create some kind of economic basis by which people will be able to think for themselves." Supervised credit by FHA, according to Mr. Harrison, "would simply destroy the whole philosophy behind the co-co . . . that individuals will learn and do for themselves. As I view the restrictions, it simply means that FHA will have a co-op in Southwest Alabama, rather than a board of directors running the co-op . . ."

Mr. Calvin Orsborn, business manager of SWAFCA, stated:

Under ordinary circumstance, I wouldn't hesitate one minute to take this loan. But SWAFCA, being as controversial as it is, being a whipping boy for

politicians, having all of the difficulties that it does have, there is a possibility that this loan, would be carried to the letter . . .

The proposed loan restrictions included such requirements as FHA participation in all meetings of the board of directors, weekly and monthly reports on specific accounts, a ban on demonstration plot farming and loans by SWAFCA to members, all sales on a 30-day cash basis to members, and a number of others relating to reserve accounts and security. The State Director of FHA is authorized to require additional security or to release security as well as to make other important decisions within his discretion to determine "that such action will not be to the financial detriment of the FHA."¹⁰

Mr. Bamberg, State FHA Director, who is responsible for administering the FHA loan to SWAFCA, testified that supervised credit "is one of the successes of the Farmers Home Administration." He added:

Of course you can see this, it takes less supervision with certain intelligent people than others. You have got that, it doesn't take as much with some people as it does with another one.

Mr. Bamberg did not think SWAFCA's chances for success were great. He said:

The chairman here [Dr. Hannah] knows the ingredients that are necessary for a successful co-op, and if they haven't the ingredients, I see no reason. All I can say is that we, that are employed in FHA are dedicated to try and make it a successful venture if and when the funds are funded.

Mr. Bamberg's position on the requirement of supervised credit and the total involvement of FHA in all management decisions of the board of directors is shared by FHA officials in the Department of Agriculture. Thus FHA, which is not reaching many poor black farmers with its programs, also is imposing restrictions which probably will inhibit aid to black farmers who seize the initiative and join together to help themselves.

¹⁰ FHA Instruction 451.3, Sheet 1, Pt. III, U.S. Department of Agriculture, Farmers Home Administration (5-25-65).

Employment

. . . [M]en [are] forced to work for such menial wages, they are forced to come up and be reared with such kind of education until they have to be Uncle Toms all day long just to keep a raggedy job, to keep a roof over their head and some food in their family's belly; . . . not being able to be men all day, they come home at night and they scold their wives, or they beat their children to prove to themselves . . . [that they are men].¹

I. THE ECONOMIC CONDITION OF NEGROES IN THE HEARING AREA

More than three-fifths of the population of the hearing area is Negro, one of the highest percentages for any area of equivalent size in the United States. Poverty pervades the area, particularly among Negroes; in 1959 median non-white family income was \$1,279, or only 30 percent of the white median income. More than 90 percent of the Negro people have incomes below the poverty index.

Cotton farming through the plantation system, which for many years dominated the area, has been giving way to more diversified agricultural activities such as livestock and dairy farming, and the raising of crops such as vegetables, soybeans and peanuts. As machine replace hand labor on the farms, Negroes—especially tenant farmers—are being forced to give up farming in large numbers. From 1940 to 1960 the number of Negro farm operators declined by 24,700 or 60 percent.

While manufacturing industries, including pulp and paper, machinery, fabricated metals and chemicals, have moved into the area, Negroes have had relatively little share in the new jobs they have created. Negroes throughout the area are victims of severe unemployment and underemployment. According to reports filed with the Equal Employment Opportunity Commission, for example, Negroes accounted in 1967 for only 22 percent of the area's reported industrial employment though they represent 62 percent of the population. In the same year, Negroes made up just eight percent of skilled and white collar employment, but 63 percent of unskilled employment in the area.²

In the past two years, three large paper mills and a manufacturing company have begun operations in the area. Of the 782 new jobs they created, just 112, or 14 percent, are held by Negroes. Similarly, for all companies in the area reporting increases in male employment for 1966-67 in reports to the Equal Employment Opportunity Commission, less than one-quarter of the new jobs went to Negroes.³

As a result, Negroes—many of whom told the Commission that given a meaningful option they would prefer to remain where they were living—have had to leave the area to seek work. Many go to urban areas in the North. From 1950 to 1960 net Negro migration from the 16 counties was 94,420, more than four times

¹ Testimony of Hosea Williams, Director of Voter Registration and Political Education for the Southern Christian Leadership Conference. *Hearing Before the U.S. Commission on Civil Rights*, Montgomery, Alabama, April 27-May 2, 1968.

² See additional information drawn from EEOC reports in Table 1 appearing at the end of this report.

³ The gulf that separates whites and Negroes in the job economy of the area is further illustrated by the fact that in 1960 the occupational group described as "sales workers" was comprised of 2,733 white males and 223 Negro males; similarly, the category "managers, officials and proprietors" was comprised of 4,974 white males and 351 Negro males. On the other hand, the category "laborers (except farm and mine)" was comprised of 1,610 white males and 6,829 Negro males. *U.S. Census of Population: 1960*, Vol. II, *Characteristics of the Population*, Part 2, *Alabama*. The dramatic differences between white and Negro employment are further reflected in data on job placements made through the State Employment Service. Nonagricultural job placement statistics for the offices which serve the 16-county hearing area, aggregated for December, 1967, show that the bulk of white placements, 45 percent, are in manufacturing, while only 14 percent of Negro placements are in manufacturing. Similarly, 25.5 percent of white placements, but only 10 percent of Negro placements, are in trade. The largest concentration of nonwhites, 39 percent, is in private households and other service jobs; only 2.5 percent of whites were placed in this category.

the net white outmigration.⁴ The outmigration of Negroes continues today; few Negro high school students, the Commission learned, look forward to employment careers in the 16-county area.

The marginal economic existence of Negroes who remain was illustrated by a number of witnesses who testified at the hearing.

For example, Mrs. Rebecca Ward and her 10 children are presently supported by a combination of welfare payments and earnings from her work as a domestic. She told the Commission that for 12 years, until November, 1967, she had been employed as a domestic by one employer, working seven days a week from 7 a.m. to 1 p.m. for \$1.00 a day, and that at the end of that time she was fired with one day's notice. Another witness, Mr. Willie Smith, told the Commission that after six years in the Army, from which he was honorably discharged as a Staff Sergeant, he is now employed as a "handyman"; his monthly take-home pay is approximately half his pay while in the Army.

There is much in the lives of Negroes in the hearing area which tends to perpetuate their poverty from generation to generation, by curtailing their employment opportunities. Malnutrition undermines their ability to study and to work,⁵ inferior all-Negro schools give rise to low levels of academic achievement and inadequate vocational preparation,⁶ and there is pervasive racial discrimination.

II. EMPLOYMENT DISCRIMINATION

Much of the unemployment and underemployment of Negroes in the hearing area is attributable to racial discrimination.

Retail and industrial employment

Shortly prior to the hearing, Commission staff members surveyed the employment practices of retail businesses in 21 cities and towns within the 16-county hearing area. Almost none of these businesses are covered by the requirements of Title VII the Civil Rights Act of 1964, which is applicable only to companies with 25 employees or more. Evidence of discrimination by these employers was ample.

The survey showed that of a total of 2,504 jobs in retail businesses, only 497, or about 20 percent, were held by Negroes (even though Negroes represent 62 percent of the area's population).

Thirty-one percent of Negro employment was part-time employment while only 16 percent of white employment was part-time. The predominant position of Negro males was porter or janitor. At a department store in Greenville, Alabama, a Negro was hired part-time, a staff member was told, because "he's working out a debt;" all of the other eight employees were white.⁷

The discriminatory attitudes of employers interviewed revealed themselves in some of the following statements:

"don't hire Negroes to clean up because I do my own Nigger work" (Demopolis)

"Negroes can't weigh things nor figure prices, we tried" (Butler)

"problem with Negroes is not their education but their dependability" (Union Springs)

In private industrial employment in the 16-county area, Negroes have traditionally been restricted to the most menial positions. Only with the Civil Rights Act of 1964 has this begun to change. For example, Vanity Fair Mills, a major manufacturer of women's garments with a number of plants in the hearing area, acknowledged that it did not hire Negro sewing machine operators until the enactment of the Civil Rights Act. The company still employs Negroes in these

⁴ During the 1940-1950 decade net migration from the South reached an all-time high of over two million, of which about two-thirds was Negro. The pull of jobs in war industries and the displacement from agriculture resulting from mechanization coincided to precipitate and sustain the heavy outmigration. Especially large numbers of nonwhite sharecroppers and other tenants left the land.

⁵ See accompanying staff report, *Health, Welfare and Food Programs*.

⁶ See accompanying staff report, *Education*.

⁷ Though a number of proprietors expressed the view that employing Negroes would be disastrous to business, the manager of a food store in Livingston, Alabama, told the Commission that six of his thirteen employees, including a cashier, were Negroes. A Negro girl was moved from another department to the cash register in response to picketing by the Negro community; the manager indicated he had feared the white reaction before he made this transfer. However, he said, there have been no problems and no business lost.

positions in a proportion far below the Negro population of the area; of 5,930 employees, only 655 are Negro.⁸

A major industry in the hearing area is the pulp and paper industry. An official of the Office of Federal Contract Compliance (the Federal agency which oversees the enforcement of Federal contract compliance requirements), Mr. Leonard Biermann, acknowledged that discrimination has been traditional in this industry and that the effect of such discrimination on employment patterns continues to be widespread at present.

Alabama State Superintendent of Schools Ernest Stone told the Commission that employment discrimination is by no means restricted to companies indigent to the South;

Most of the Northern people who come to Alabama and establish an industry are more concerned with employing white employees than they are Negro employees.

Industrial employers have particularly poor records in employing Negroes in clerical positions. For example, MacMillian-Boedel Products, a Canadian-based company, which recently started operation of a plywood plant and sawmill in Wilcox County, has 25 to 30 clerical or stenographic employees, none of whom are Negro. Vanity Fair Mills, the corporate headquarters of which is in Reading, Pennsylvania, has 297 office and clerical employees, of whom one is Negro; his job is to service vending machines on the company's premises. Though employers claimed that they could not obtain Negro office personnel employees, the Commission learned that the State Trade Schools of Alabama graduate many Negro students from secretarial courses each year.

Discrimination by Companies Holding Government Contracts

In examining discrimination in employment, the Commission took a particularly close look at the employment practices of a special category of private employers in the hearing area—those holding contracts with the Federal government.

Since 1943, Federal agencies have been required by Presidential Executive Order to include in their contracts a provision forbidding discrimination in employment by the contractor.⁹ Since 1951 the head of each contracting agency has been "primarily responsible" for insuring that the nondiscrimination requirements appearing in the contracts of the agency are enforced.¹⁰

The Executive Order has great—but thus far largely unrealized—potential. Significant leverage is afforded by the possible sanctions of loss or termination of government contracts.

The hearing and preparatory staff investigation disclosed that the Executive Order has received weak implementation in the hearing area, and that as a result noncompliance was widespread. The hearing revealed blatant discrimination by companies holding millions of dollars of government contracts—discrimination which had not been attacked effectively by contract compliance officers.

For example, Bellamy, Alabama is a company town owned since May 1960, by the American Can Company, a large General Services Administration (GSA) contractor.¹¹ The town is totally segregated. Only four of the 123 Negro houses

⁸ Though officials of Vanity Fair made much of the need to approach integration cautiously, other testimony indicated that industrial integration need not present problems. The Dixie Shoe Company, a women's shoe manufacturer with a plant in Barbour County, employs about 200 persons, most of whom operate sewing and other machines. Since it opened in August 1963, about 50 percent of the employees hired by the plant have been Negroes. The plant manager, Harold Becker, told the Commission that there have been no racial problems based on integration of the work force.

⁹ Exec. Order No. 9346, 3 C.F.R. § 1 (1943). Executive Order 8802 (1941) required such a provision in defense contracts only.

¹⁰ Exec. Order No. 10308, 3 C.F.R. § 1 (1951); also, Exec. Orders Nos. 10479, 3 C.F.R. § 1 (1953); 10925, 3 C.F.R. § 307 (1961); 11246, 3 C.F.R. § 205 (1965). In 1966 the Office of Federal Contract Compliance, an agency within the Department of Labor, assumed the duty of supervising and coordinating contract compliance by the Federal agencies. However, the agencies continue to bear the primary responsibility for such enforcement. Exec. Order No. 11246, 3 C.F.R. § 205 (1965).

¹¹ At its Alabama facility alone, American Can has GSA contracts for more than \$1.7 million, for fiscal 1968 through February 1, 1968. Since 1962, American Can Company has been a member of Plans for Progress. Established in 1961, Plans for Progress is a voluntary association of businesses, numbering 417 in January, 1968, which are purportedly committed to eliminating all forms of employment discrimination within their respective operations. The organization receives administrative support from the Department of Labor, and has been a principal vehicle of OFCC's effort to promote voluntary compliance with equal employment requirements by government contractors.

have running water and inside toilet facilities, while every white house has running water and inside toilets. There are several segregated churches, two segregated swimming pools, and a company owned Negro school house. A worker employed at American Can's Bellamy sawmill for the past 24 years, who characterized himself as a spokesman for the town's Negroes, testified that the town was "just about in the same shape" when he first came there in 1943 as it is now. No GSA contract compliance official has ever made a compliance inspection at Bellamy.

Other government contractors located in the hearing area also had racially segregated facilities. The McGregor Printing Corporation—a contractor with the Government Printing Office—is located in York, Alabama. Despite the fact that its plant was built after passage of the Civil Rights Act of 1964, separate restrooms for black and white employees were built side by side and continue to be used on a segregated basis. Dan River Mills is a large government contractor manufacturing uniforms for the armed forces. At Dan River Mills' Greenville plant, there were dual restroom facilities on the inside and outside of the building. White employees used the restroom facilities on the inside, Negro employees used the facilities on the outside. Bernard Shambray, a former employee at the plant who was hired in 1966, testified that the outside restroom—

"Was pointed out to me when * * * I started to work there. This supervisor that carried me around, he showed the restroom and he told me that was the restroom I was supposed to use.

Mr. GLICKSTEIN. Were there any other facilities that you were told you couldn't use?

"Mr. SHAMBRAY. I was not told that I couldn't use any of the facilities. I was just pointed out the one to use."

Mr. Shambray also testified that although there was one drinking fountain, he "was told that the other Negro employees always got a coke bottle to drink out of."¹² Although the Greenville plant does not produce cloth under a government contract, the Executive Order requires the government contractor to insure that all its facilities are in compliance.

At the McGregor Printing Corporation, the 29 officials and managers, technicians, sales workers, office and clerical workers and craftsmen employed in York, Alabama are all white. The black employees are all laborers or semi-skilled.

Testimony by company officials disclosed that local applicants are interviewed by Mayor Grant of York, from whom McGregor receives an "advisory evaluation" on the applicant's "potential, ability and character, and so on". The mayor is the owner of a local clothing store that has been the target of demonstrations by members of the Negro community because of his failure to hire any black persons in his store. There also was testimony, by a Negro employee of McGregor, although denied by the mayor and company officials, that Negro applicants for employment are told by the mayor and company officials that they do not approve of persons engaging in such demonstrations. The mayor did not deny that he keeps in his office photographs of persons who demonstrated outside of his store. An employee of the company testified that he knew of no McGregor employee who had participated in a civil rights demonstration.

Of approximately 200 employees at Dan River Mills' Greenville plant, only three are Negro—a watchman, a warehouseman and a truck driver who doubles as a janitor. Mr. Shambray testified that he was hired as a weaver-learner in the fall of 1966, but was subsequently assigned work as a sweeper and quit in April, 1967 because he felt that by reason of his race he never would be promoted to weaver.¹³

At the large pulp and paper mill of American Can, which draws its employees from an area whose population is about 57% Negro, only 108 of more than 1550 employees are Negro, and only "several" of these are in skilled positions. Of 340 employees at American Can's Bellamy sawmill, a type of work which is traditional for Negroes in the South, about 270 are Negro. The highest position held by a Negro employee at the mill at the time of the hearing was Assistant Supervisor, to which position two Negroes had been appointed just two weeks prior to the Commission's hearing.

Alabama Power Company, another large government contractor in the hearing area, receives about \$2.5 million annually under a contract with the General

¹² The plant manager at the mill testified he was unaware that Negroes were instructed that they were not to drink from the water fountain, or were to use only certain restroom facilities.

¹³ The plant manager denied that Mr. Shambray had been subject to discrimination.

Services Administration. The company employs 5,394 employees, of whom 472 are Negro. About three-fourths of the Negro employees are in unskilled positions. In 1966, of more than 1,300 craftsmen three were Negro; now, two years later, the number of Negro craftsmen has risen to four. From 1967 to 1968 the proportion of the company's male employees who are Negro actually declined.

Another large GSA contractor in the hearing area whose officials testified that they believe their company is in compliance with Federal equal employment requirements, is Allied Paper Company, which has a paper mill located in Jackson, Alabama. The personnel manager testified that there are 47 Negroes out of a total of about 445 employees, and that none of the Negroes are clerical or supervisory personnel.

The performance of Alabama Power Company is well known to the General Services Administration. A letter memorandum of May 1967, transmitting to Washington field compliance surveys of Alabama Power Company, observed that the findings reflect patterns of restricted minority group employment and suggested that it might be desirable to institute administrative action against the company. Despite these reports, Mr. Ernest Strong, the company official responsible for equal employment opportunity testified that after the review GSA did not transmit a written report, specifying remedial measures. He said that during the course of the compliance reviews the GSA investigator made "nominal suggestions that were adhered to;" and, Mr. Strong testified, the company has been given a "clean bill of health."

Inadequacy of Enforcement

A number of factors account for the failure of government contractors to abide by their obligations to provide equal employment opportunity.

It is fair to assume that a most important factor is that government contractors have had no reason to take seriously the threat of sanctions for noncompliance. Though contracting agencies, acting with the approval of the Director of the Office of Federal Contract Compliance, are authorized by Executive Order 11246 to terminate or to suspend performance on contracts for non-compliance, this power has never been used. The agencies, with the approval of the Director of OFCC, also are empowered to initiate proceedings to debar contractors from future government contracts; the first notices of intent to debar ever issued under the Executive Order were sent by OFCC to five companies on May 23, 1968.

Testimony also made clear that contractors in many instances are not clearly and specifically told what they must do in order to achieve compliance.

Both the failure to impose sanctions, and the failure to tell contractors clearly and specifically what they must do, may be largely attributable to the tendency of government contracting agencies to see compliance as, at best, incidental to the primary mission of the agency. As Mr. Leonard Biermann, Senior Compliance Officer of OFCC, told the Commission, "95 percent of the contracting agencies' staff and attention and desires are aimed at awarding contracts . . . [it is necessary] to overcome this built-in resistance that we find in every contracting agency."

Another reason for the apparent lack of forceful implementation of the Executive Order in the cases discussed above is the failure to commit sufficient personnel to contract compliance enforcement.

At present, most Federal agencies have a separate program and staff devoted to enforcing equal employment opportunity requirements contained in the agency's contracts. The Commission's recent Alabama hearing concentrated on the contract compliance operations of two Federal agencies, the Department of Defense and the General Services Administration.

The inquiry into the Department of Defense contract compliance operation focused on the Southeast Region, and on the Region's Birmingham, Alabama, sub-office.¹⁴ With a staff of eleven professionals, the Southeast Region is responsible for monitoring the compliance of more than 5800 known contractor facilities.¹⁵

The only adequate basis for determining whether a given facility is or is not discriminating is to make a compliance inspection of the facility. In the two

¹⁴ The Southeast Region is comprised of the States of Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, and Tennessee, and Puerto Rico. The Birmingham, Alabama sub-office has responsibility for Alabama, Mississippi, Western Florida and Western Tennessee.

¹⁵ There are in addition many subcontractor facilities, estimated to number in the thousands, for which Defense Department contract compliance officials in the Southeast Region are responsible, but the identities of which are not reported to it.

and one quarter years since January, 1966, just 437 Department of Defense contract facilities in the Southeast region—less than eight percent of known facilities—have been visited.

The head of the Department of Defense's Southeast Region contract compliance operation has informed his supervisors that he needs *six* to *seven* times his present staff to perform his job adequately.

The General Services Administration contract compliance operation is much smaller than that of the Department of Defense and less regionalized; accordingly the hearing touched on the nationwide operation of GSA contract compliance, centered in Washington, D.C.

To supervise equal employment opportunity with respect to GSA contracts in the amount of \$1,350,400,000,¹⁶ the General Services Administration provides three professionals in Washington and ten compliance investigators in the field. One investigator covers the entire seven-State Southeast region;¹⁷ he devotes a portion of his time to matters other than contract compliance as well.

Nationwide the GSA contract compliance operation has assumed responsibility for approximately 5,000 facilities.¹⁸ In the one and one half years since September, 1966, somewhat over 500 facilities—about 10 percent—have been subjected to a compliance review visit.

Department of Defense officials estimate that noncompliance is found in 85 percent of compliance visits in the Southeast Region. The contractor in such cases is told what steps he must take to correct the noncompliance. The second vital element in enforcement is the follow-up visit taken after an initial visit in which deficiencies are disclosed, to insure that the contractor is remedying the deficiencies. Yet in the vast majority of cases no such follow-up has been made. In 95 percent of all contract compliance inspections conducted by the Department in the Southeast Region since January, 1966, the investigator recommended a follow-up revisit, yet in only 10 percent of the cases has a revisit been made.

Kenneth Eppert, head of the Department's contract compliance in the Southeast Region, acknowledged the effects of this situation on the attitudes of contractors.

"Mr. GLICKSTEIN. Do you think that [the] companies that you weren't able to revisit, but companies where you did find some deficiencies and wrote to them about the deficiencies, do you think that they are terribly concerned about what the consequences of not complying are?"

"Mr. EPPERT. No. Well, let me phrase it this way: I do not believe that you should ever tell a company that you are going to re-visit them unless you visit them and if you don't re-visit them they are human beings like we are. The success of our program in my estimation is not necessarily the initial call, [in] the initial call I am sure we could put down many things which we expect to be done, but certainly the re-visit, * * * is the point to start, because there you have an opportunity to actually see what action had been taken on the recommendations that you might have made."

Referring to the relation between staff size and work load, Civil Rights Compliance Officer Robert Harlan, a contract compliance official of the General Services Administration, characterized the system of compliance reviews as "a sort of a hit and miss thing." He testified:

"Now, * * * you can recognize the horrendous task that it is to do these follow-ups. I mean this program, as it is being run, is basically project awareness. We do have the responsibility of making these people aware that there is a clause in their contract, and that this clause means just as much as any other clause. But * * * we are operating under horrendous conditions so far as the actual issuance of sanctions."

The inadequacy of staff, in addition to hampering the program of follow-up reviews, also undermines another important phase of contract compliance enforcement—the "pre-award" inspection. Under the "pre-award" survey program, any company receiving a publicly advertised Federal contract of \$1 million or more, which has not been the subject of a compliance review within the last six months,

¹⁶ For fiscal 1968, through February 1, 1968.

¹⁷ GSA's "Region 4," comprised of the States listed in note 14 above. In Alabama alone, GSA has contracts in the amount of \$15,614,193, for fiscal 1968, through February 1, 1968.

¹⁸ This estimate is based on a "Primary Interest Agency" listing of government contractors, compiled in 1966, and on supplemental data, reported to GSA contract compliance officials, on new GSA contractors since that time. Because this supplemental data is incomplete, there are probably several thousand additional contractor facilities for which GSA contract compliance is responsible, but which are unknown to it.

must be reviewed and cleared for equal employment compliance prior to the award of the contract.¹⁹

Contract compliance officials strongly endorsed the potential effectiveness of pre-award reviews. Mr. Eppert, head of Defense Department contract compliance in the Southeast Region, acknowledged that "in almost all cases" contract compliance officers are in a much better negotiating position before a contract is signed than after it has been signed. Nevertheless, at least in part because of the inadequacy of compliance staff, 40 to 50 percent of "pre-award" reviews made by the Southeast Region are conducted some days or weeks after the contract has been let. A compliance report on a government contractor in the hearing area, reviewed by the Commission, illustrates this problem. The report stated:

"Subject facility is located in * * * Alabama. The county * * * has a non-white population of approximately 50 percent. The post award survey was conducted on 9 February 1967; on 3 February 1967, the company was awarded a contract for [more than \$2 million dollars] covering the manufacturing of men's cotton denim trousers. Based upon the nature and extent of the deficiencies noted during this survey, subject facility was not in an awardable position for receiving the aforementioned contract the previous week."

Failure to Deal Adequately with Consequences of Prior Discrimination

Even where a company which has previously engaged in racially discriminatory hiring or employment practices ceases overt discrimination, the consequences of its past discrimination may be perpetuated unless positive steps are taken to insure this does not happen.

Discouraging Effects of Prior Discrimination.—Negroes, for example, are well aware of discriminatory employment practices. Mr. Shambray testified that the Negro community in Greenville was aware of his experiences at Dan River Mills. Sadie Allen, a senior at all-Negro Southside High School in Greenville, told the Commission; "* * * most of the Negroes know they aren't going to be hired for anything but sweeping the floor, so they just don't go out there."

Leonard Biermann, Senior Compliance Officer of the Office of Federal Contract Compliance, testified that in his opinion discriminatory exclusion and restriction is characteristic of Dan River Mills plants throughout the South. Negroes understandably are unwilling to subject themselves to the humiliation of discrimination. Unless a company such as Dan River Mills, therefore, not only ends its discriminatory practices, but also adopts strong measures to make it clear to the Negro community that its discriminatory policies and practices have been abandoned, few Negroes will apply for employment.

Similarly, Negroes who for many years have been excluded from certain positions may be slow to accept the idea that white management will now gladly allow their transfer to newly opened positions.

The hearing disclosed that several government contractors in the hearing area have not taken affirmative steps to overcome the discouraging effects of past discrimination. For example, in Allied Paper, as in many large plants, tenure and promotion are based principally on a number of "lines of progression." Each line of progression is comprised of the positions in one department or other functional unit of the plant. Although most of Allied's Negro employees are not presently in lines of progression, but are in permanent "laborer" positions, the company does not even inform Negro employees when positions in lines of progression become open and opportunities arise for them to transfer into such positions.

Perpetuation of Effects of Discriminatory Progression-line Systems

Typically, every employee in a line of progression starts at the bottom of that line; by promotion, he advances up the ladder to progressively higher paying and more responsible positions. Length of time within the line also determines seniority, in most cases for the crucial purpose of job security, or order of lay-off. When an employee transfers to another line, he must start at the bottom of the ladder in that line.

Mr. Biermann testified that in Southern pulp and paper mills there has been "a tradition of discrimination in placement." The hearing disclosed that at the Alabama pulp and paper mill of American Can Company, for example, Negro employees have in the past either been excluded from lines of progression alto-

¹⁹ Office of Federal Contract Compliance letter directive, May 3, 1966.

gether, or else restricted to short, more menial "dead-end" lines of progression designed for Negroes.

Where, as was done at the pulp and paper mill of American Can Company, for example, dead-end lines are eliminated and Negroes are offered the opportunity to transfer to other lines, they nonetheless tend to remain in their former lines for a number of reasons. A principal reason is that employees are deterred by the fact that transfer to another line means starting at the bottom of the ladder again, losing seniority and suffering a reduction in wages in most cases. Such loss of seniority, in the case of Allied Paper, was described at the hearing as follows:

"Mr. GLICKSTEIN. In other words, if a man (who) was in the Wood Yard Department and had been there for eight years, transferred to the Maintenance Department, he would retain eight years of mill seniority but lose his eight years Wood Yard seniority and he would start at the beginning of the Maintenance line of progression?"

"Mr. HEARN. Yes, sir."

The resulting continuation of a predominance of Negroes in menial jobs was observed at the hearing in the case of Allied Paper Company and American Can Company. Mr. Biermann acknowledged that this is still common to the entire Southern paper industry.

Public Employment

While discrimination in Federal employment is forbidden by Executive Order,²⁰ there is no comparable Federal requirement applicable to State and local employment; Title VII of the Civil Rights Act of 1964 specifically exempts State and local employment from its nondiscrimination requirements.²¹ The Federal Government, however, does require that State employees engaged in administration of certain Federal grant-in-aid programs be employed under personnel standards that prohibit racial discrimination; Alabama has refused to amend its Merit System to comply with Federal law. Alabama's rules governing its system of State employment do not prohibit racial discrimination.

Federal Employment

The hearing provided evidence that the Federal policy of nondiscrimination in employment is not being enforced in the hearing area.

The two major sources of Federal employment in the hearing area are the Farmers Home Administration and the Post Office Department. These two agencies employ 650 persons, of whom only 42 are Negro.

Farmers Home Administration offices in the hearing area employ 39 persons, only 6 of whom are Negro. None of the 16 clerical workers employed by the agency is Negro.

Of 611 Post Office Department employees in the hearing area, only 36 are Negro. Eight of the 16 counties have no Negro postal workers.

State Employment

Through four principal agencies, the State of Alabama employs 560 persons in the hearing area. Of these only 82 are Negroes, and 38 of these hold part-time or janitorial positions.

The Agricultural Stabilization and Conservation Service (ASCS), which administers Federal crop control and other farm programs in each county, employs 203 persons in the hearing area, only 27 of whom are Negro.²² Of the 220 persons employed by the Alabama Department of Pensions and Securities, which administers the State's welfare programs, six are Negro. All of the six do part-time janitorial work.²³

²⁰ Exec. Order No. 11246, 3 C.F.R. Part I (1965).

²¹ 42 U.S.C. 2000e(b) (1).

²² ASCS county personnel are paid with Federal funds, but are not Federal employees.

²³ The five State Employment Service offices located in the hearing area employ 35 persons, 9 of whom are Negro. Four of the Negroes are Employment Service local representatives, who work in the Service's outreach and follow-up program and are paid on an hourly rate when and as needed. The remaining five Negroes are custodial and service workers. The fourth State agency examined is the Alabama Cooperative Service. Of 40 Extension Farm Agents, 17 are Negro; of 25 female Extension Home Agents, 14 are Negro.

Local Employment

Of approximately 1,337 county employees in the hearing area, only 267 are Negro. Only four of the 16 counties have Negroes on their law enforcement staffs.²⁴ Only one county, Macon, has full-time Negro clerical workers. The largest concentration of Negro employees is found in county road departments.

None of the 16 counties has a county civil service system. Employees are hired by county officials.

The sixteen cities surveyed in the hearing area employ a total of 933 persons, 350 of whom are Negro. Eight of the cities have full-time Negro policemen. None of the cities has a civil service system. The largest concentration of Negro employees is found in the sanitation and street departments of the cities.

TABLE 1.—EMPLOYMENT DATA FOR 53 REPORTING UNITS FROM 16-COUNTY AREA OF ALABAMA

	All employees			White employees			Nonwhite employees		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
All categories of employees.....	13,668	7,923	5,745	10,630	5,875	4,755	3,038	2,048	990
Skilled and white collar employees.....	7,336	3,358	3,978	6,755	3,223	3,532	581	135	446
Semiskilled employees.....	4,216	2,872	1,344	3,092	2,103	989	1,124	769	355
Unskilled employees.....	2,116	1,693	423	783	549	234	1,333	1,144	189

Source: Equal Employment Opportunity Commission, EEO-1 Reports (1967).

²⁴ Autauga, Bullock, Dallas and Macon.

INTERIM STAFF REPORTS: ALABAMA HEARING, MONTGOMERY, ALA.,
APRIL 27-MAY 2, 1968

STATEMENT OF WILLIAM L. TAYLOR, STAFF DIRECTOR, U.S. COMMISSION ON CIVIL
RIGHTS, JUNE 14, 1968

Six weeks ago the Commission held a public hearing in Montgomery, Alabama on issues of economic security affecting black citizens living in 16 Black Belt counties of that State. The hearing was the culmination of an investigation begun last Fall. For five days from April 27 to May 2, we heard testimony from many black citizens, public officials, plantation owners and professionals.

Ordinarily, we would wait until we had completed a formal report before releasing information developed from our investigations and hearings. But today we are releasing these preliminary staff reports of the hearing because they are particularly relevant to current Congressional debates on spending, to the issues raised by the Poor People's Campaign, and, above all, to the crisis of race and poverty confronting the Nation. We think that the information developed during the course of our investigation and hearing should contribute to a better understanding of the extent and the causes of the extreme deprivation that effects so many citizens in this and similar areas. It also may suggest some guidelines for the steps which the Federal government must take to solve these problems.

The Commission on Civil Rights for the past two years and more has been concerned with the problems of race and poverty in our urban areas. During this period we have studied the racial crisis in the Nation as it manifests itself in the cities. Since last fall we have concentrated on the crisis as it relates to the economy of rural, nonmetropolitan areas of the South. We have come to believe that problems of urban and rural areas are all of a piece—that both are manifestations of the same crisis of race and poverty that troubles the Nation.

The South has been exporting its problems North. Many of the unemployed, frustrated, hopeless people of the cities are migrants from rural areas, who have left behind other unemployed, frustrated and hopeless people. In the ghetto, as a woman in Gary told us, time stops. Time stops too in the rural counties of Black Belt Alabama. For many people, despite the unprecedented affluence in this country, there have been no improvements in housing, employment or educational opportunities for generations.

We have distributed to you a series of papers that examine in some detail the principal problems of economic security that affect people living in the 16 county areas—problems of food, health and welfare, education, farm programs and employment. The papers appraise the adequacy and effectiveness of government programs in each of these fields.

When the material in each of the papers is taken together, it leads to one inescapable conclusion—that government is not intervening effectively at any point to provide people who have been victims of slavery and discrimination with an opportunity to lead decent and productive lives.

Stated another way—the overriding failure of present policy is that for the black citizen in rural Alabama, it is not providing any options at all. Government policy is not making it possible for him to stay on the land or work in the towns of the area, it is not equipping him with the education and skills which will enable him to survive in the big city or to obtain a job once he gets there, and it is not providing any place else for him to go.

ECONOMIC DEPENDENCY

To understand the reasons for the failure of government programs it is helpful to understand the system of economic dependency in which they operate. The weight of the evidence at our hearing in Montgomery was that the legacy of slavery still continues in the form of widespread racial discrimination, poverty and economic dependence.

Poverty among the Negro population in the 16 counties is pervasive. Many families must live on a noncash basis—they do not have any regular income.

They mortgage their crops or survive on credit obtained from store owners or casual employers. The lack of cash income forces blacks to depend upon those who will extend them credit and who are willing to carry them through hard times. For example, black farmers are significant in the farm economy almost entirely as a source of economic exploitation by white landowners furnishing merchants and others.

A Dallas County plantation owner explained the system to us. He owns 10,000 acres, he rents portions of the land to about 40 black families. He advances them seed, fertilizer, insecticides, cash and charged 8 percent interest. Part of the deal requires the tenant to gin his cotton at the plantation owner's gin and to purchase food at his store. This system denies the tenant cash and creates dependence.

If the black tenant decides to leave the plantation and farm on his own he finds that he can get no credit because his credit rating is based on his production history and that has been attributed to the plantation on which he worked—not to him. With no production history, the black farmer is forced to seek credit from landowners and furnishing merchants instead of borrowing from commercial banks or the Farmers Home Administration.

Farmers caught in this financial trap never break free of debt. We have obtained records of individual debts as high as \$16,000 in accrued interest and principal. The income of such a farmer often is less than \$1,500 a year.

The total economic dependence of black people is not confined to the agricultural sector of the economy. Even when family income is from nonfarm employment, extensive underemployment and seasonal employment requires that families seek credit from others in order to survive. The Commission heard testimony about Bellamy, Alabama, a company town owned by the American Can Company and the site of one of their large sawmill operations. Frank Fenderson, an employee, who lives at Bellamy, testified that his total take home pay for two weeks' work, after deductions for taxes, rent and debts owed to the company store, was five dollars.

In this situation the test of effectiveness of government programs is whether they enable people to escape from their condition of economic dependence. Too often programs do not accomplish this objective.

The simple requirement of cash payments every month under the Federal Food Stamp Program is an obstacle to participation by those who are in greatest need—even when the cash payment is reduced to 50 cents per person.

The Government has programs under the Farmers Home Administration to assist farmers who cannot obtain credit from normal sources. But the majority of black people are too poor to be eligible for FHA loan programs. Their earnings are meager and they have nothing to mortgage or commit to the moneylending agency.

The result therefore is that when government programs fail to reach people they remain dependent upon their old masters—the plantation owner, the furnishing merchant, the boss-man.

Some government programs also substitute their own form of dependency for the existing system.

Welfare rules under federally supported programs permit local officials to exercise vast discretion in dispensing funds and to make decisions based on arbitrary judgments of moral character rather than on need.

Loan programs to self-help cooperatives are encumbered with burdensome restrictions. For example, the Southwest Alabama Farmers Cooperative Association is trying to break the cycle of economic dependence for black farmers by establishing a marketing cooperative for vegetables. But SWAFCA has run into an unsympathetic Farmers Home Administration which insists on imposing restrictions and conditions to a loan which, in the words of its president "would simply destroy the whole philosophy behind the co-op . . . that individuals will learn and do for themselves." The supervision of the SWAFCA loan would be in the hands of the State FHA Director. Mr. Robert C. Bamberg, the owner of a large plantation who made abundantly clear at the hearing his low opinion of the abilities of Negro farmers.

GOVERNMENT PROGRAMS AND THE CYCLE OF POVERTY

In this setting of dependency, one can examine each critical point at which government might intervene to provide people with a change for a decent and productive life and find that it is failing.

Food, health and welfare.—Many children are born into homes of incredible poverty. The Welfare system in Alabama allows \$89 per month for a family of four and does not provide mothers with pre-natal care. Before the child is of school age he may be suffering from serious physical or mental ills which stem directly from malnutrition. In one of the counties investigated, 80 percent of the Negro children suffered from anemia due to malnutrition and, as a result, had a life expectancy 8 to 10 years less than white children. Federal programs that provide food have been instituted or applied for in some counties only within the last year because the decision has been left up to local authorities. The commodities distributed in counties with such a program do not provide adequate diets, even though the Secretary of Agriculture has the authority to increase the variety of foods. The food stamp program fails to reach many people because of the cost of the stamps.

Education.—Even if children have not been terribly damaged by effects of malnutrition, their economic opportunities will not be improved much by the education they are receiving. By any measure considered important in the educational process, Negro children are suffering. It hardly needs to be said that schools are almost totally segregated. In the segregated schools Negroes have inferior facilities, fewer library books, poorer teachers, and the schools are not accredited. Courses offered in white schools prepare students for further education or for jobs for which there is a demand. Courses in Negro schools do not. So Negro children finish high school 5 to 6 grades below national standards in achievement tests and without any marketable skills.

Employment.—The lack of training received by Negroes is evidenced, in part, by the jobs they hold. Negroes hold less than one-fourth of industrial jobs in the Black Belt and the jobs they do hold are all laborer or semi-skilled occupations. Racial discrimination continues to exclude even the qualified. Companies holding millions of dollars of government contracts and required to take steps to provide equal opportunity engage in blatant discrimination.

For example, the American Can Company is a government contractor. Its Company town, Bellamy is totally segregated. Only four black homes have running water and inside toilet facilities; every white house has running water and inside toilet facilities. American Can also owns the school, which is all black—the white children and some black children are bused to the nearest town to attend a predominantly white school. The maintenance and operation of segregated facilities is, of course, a violation of Federal law and the company's contract with the Federal government.

Patterns of discrimination also were found in retail businesses and in public employment.

Agriculture.—Young people are not enabled to lead productive lives either in urban or rural areas. Nor are government programs making it possible for older farmers to make a satisfactory living on the farm. Many Negro farmers continue to be marginally or totally dependent because they still are farming as they did in the 1930's. The Cooperative Extension Service's farm agents instruct farmers in modern farming practices. They have not done this for thousands of poor Negro farmers. Negro farmers also have been excluded from benefits of programs of the Farmers Home Administration already mentioned.

Political Participation.—The continuing economic subjugation of Negroes, finally, is perpetuated by exclusion of Negroes from access to the avenues of political change. Poverty and dependence, the Commission learned, greatly deter Negroes from seeking to improve their lot by asserting themselves politically.

What I have just described are generally examples of insufficient resources, or programs so structured that they do not reach the people they are intended for. Beyond this, however, to the extent programs could be useful, we find that civil rights requirements are not being enforced. These matters have been raised with the agencies concerned. Mr. Howard Glickstein, our General Counsel, will discuss briefly some of the letters we have written to agencies.

GUIDELINES FOR ACTION

Over the years the Commission has made many recommendations which, if implemented, would help to eliminate discrimination and improve opportunity for citizens both in rural and urban areas. Among these have been recommendations—

1. That the Federal Government establish a national minimum standard for public assistance payments below which no State could fall and that it remove

restrictive rules in the administration of welfare programs which discourage economic initiative and impedes family stability;

2. That the Secretary of Agriculture assure equal employment opportunities in agriculture programs and extend full and equal participation in Department programs;

3. That Title VII of the Civil Rights Act of 1964 be extended to cover public employment;

4. That "freedom of choice" school desegregation plans be accepted only where the school district shows that significant school desegregation actually is being achieved;

5. That the Attorney General assign examiners under the Voting Rights Act of 1965 to all political subdivisions where black registration is disproportionately low.

We continue to urge action on these recommendations. It has become increasingly clear, however, that even if all of these recommendations were to be enacted into law the cycle of poverty and dependency in Black Belt Alabama and similar regions would not be broken. Bold new programs and approaches are necessary. Before the system of economic bondage which exists in Alabama can be ended it will be necessary to develop programs to assure every family a standard of living adequate to provide at least a reasonable chance in life. Many have suggested that this only can be accomplished by some form of income guarantee. Whether it is a negative income tax, a guaranteed annual income or whether the government guarantees a job to every person and assumes the role of employer of last resort are questions about which we have not yet reached any firm conclusions.

While we are continuing our investigations and plan to make further reports with more specific recommendations, we do want to suggest now several principles which we believe should govern any effort to deal with the problems of race and poverty.

The first is that the Congress must recognize in law that every American citizen is entitled to certain basic necessities *as a matter of right*. These should include the right to an adequate and nutritious supply of food, to full health care, to an education that prepares an individual to be a productive member of society. It is clear that to make these rights meaningful, the Federal government must be prepared to devote far more resources to programs of food, welfare, health and education than it is now allocating. It is also clear that this must mean an end to systems which allow local authorities to determine whether the citizens will receive the benefits of these programs. The underlying theory of local control of education and other programs is that it provides diversity and choice. Where, instead, local control results in deprivation and provides a breeding ground for ignorance, it can no longer be rationalized.

Second, we must find ways of assuring that these programs are implemented through structures and institutions which are responsive to the people the programs are designed to serve. This means that it is not enough merely to shift the focus of dependency from a plantation owner to a government agency. People must be given some measure of influence or control over programs and decisions which affect them. It also means that as difficult as this may be, we must find ways to assure that the policies and practices of people who administer the programs are in absolute accord with the purposes the programs are designed to serve.

Third and finally, we must build into our social and economic development programs the crucial element of choice. One of the things which was at least mildly surprising to us during the hearing was the extent to which Negro citizens in the rural South, young as well as middle aged and older, told us that given a *meaningful* choice they would prefer to remain in the areas they now live. They are suffering all kinds of indignities in these areas now, but they also are aware that the big cities are not centers of opportunity either. If given the chance for a decent job and a modicum of dignity, they said they would prefer to stay where they are. If choice is to be made meaningful, efforts to increase spending in urban areas must be coupled with investment in rural areas and guarantees that Negro citizens will be able to share in the opportunities created by these investments.

STAFF REPORT: EDUCATION

INTRODUCTION

Among the factors affecting the economic security of black persons in non-metropolitan areas the Commission examined vocational and elementary and secondary school education.

The testimony at the hearing and the preparatory staff investigation disclosed that the educational system is failing to provide black students with the education or skills needed to obtain a decent job, and is perpetuating black poverty and economic dependency. Many young people are leaving the area and migrating to the cities, but they are not equipped with any salable skills.

For many Negro children basic preconditions of learning are absent—food to nourish the body, shoes and clothes to wear, freedom from the need to work during school hours to help support a poor family. But the school system is failing to educate black children who do attend school and whose physical condition permits them to learn.

ELEMENTARY AND SECONDARY EDUCATION

School achievement.—One measure of the success of an educational system is the extent to which students master the subject matter of instruction. In the hearing area large disparities in achievement exist between black and white students. These differences are revealed by school achievement data collected in the Office of Education study, *Equality of Educational Opportunity* (known as the Coleman Report). Data available is for black and white students in the rural South compared to the average scores for white students in the urban North. Marked disparities in achievement between white and black students at three grade levels (grades 6, 9 and 12) on three types of standardized tests were found. For example, by grade 12, black students in the rural South were 6.2 grade levels behind white students in the urban North in math achievement while white students in the rural South were only 1.4 grade levels behind. For verbal ability by grade 12, black students were 5.2 grade levels behind (white 1.5), while in reading comprehension black students were 4.9 grade levels behind (white 1.0).¹

The preconditions of learning

Testimony at the hearing disclosed that for many impoverished black citizens of the State the basic preconditions of learning were lacking. Mrs. Rebecca Ward of Akron, Alabama, for example, testified that she had 10 children and one grandchild living with her. She earned \$12 per week in addition to her welfare check of \$26 per month. Because she was unable to afford shoes and clothes for her children to wear, four of her children had not attended school on a regular basis during the past year. Other witnesses at the hearing also testified that inadequate clothes and shoes for their children had forced them to keep their children out of school. Some had difficulty getting enough money to provide lunch for their children at school.

Dr. Alan C. Mermann, an Assistant Clinical Professor of Pediatrics at the Yale Medical School, examined more than 700 children in Lowndes County during the summer of 1966. He found that more than 80 percent of the children he examined suffered from anemia—a shortage of iron in the blood—which he attributed mainly to bad nutrition, but also to poor medical care and worm infestation. In his words, “. . . many of these people have about approximately two-thirds of the amount of red blood that the Commissioners have. I think one begins to see emerging from this the reason why children are asleep in the classes.” The fatigue, caused by the small oxygen-carrying capacity, he stated, helped explain why large numbers of children participating in a summer program were asleep on the floor at 10:00 in the morning.

Another serious handicap was brought out by Miss Sadie Allen, an honor student at Southside High School in Greenville, Alabama, who explained her

¹ See Appendix E.

school's high rate of absenteeism. "[I]n order to stay in school at all, they have to get out and work, so they work and they try to go to school too." Others "stay on the white man's land" so they "have to stay out and go to chop cotton, or else they will have to find some place else to live." O. B. Carter, the Superintendent of Eufaula City Schools, acknowledged that at the black school some students still stay out for a month or six weeks during the planting and harvesting seasons.

Clearly for some students a great deal more than an adequate educational system is required if they are ever to escape the cycle of poverty in which they are trapped. This paper, however, will deal only with whether the educational system is meeting these needs.

Extent of student and staff segregation.—Fourteen years after the *Brown* decision the schools in the 16 county hearing area are almost totally segregated. Despite Federal school desegregation requirements promulgated by the Department of Health, Education, and Welfare, and legal suits and court orders in each of the school systems, only about 1.7 percent of the black students were attending formerly all-white schools in the hearing area as of September 1967, according to the Office of Education.¹

The school systems in the 16 counties have adopted freedom of choice plans to integrate their schools. The testimony of Mr. and Mrs. Bernard Shambray, a young couple from Greenville, indicated freedom of choice has not resulted in integrated schools partly because of the economic dependency of the poor blacks. Mrs. Shambray stated that their oldest son wanted to attend a white elementary school, but her husband wouldn't allow him to do so. "Greenville," Mr. Shambray said, "is a small community, and we somewhat depend on the white people for our living . . . [M]ost of us feel that we don't want to do anything that might jeopardize us in any way."²

Like the students, the teachers are largely segregated. Of the 2,076 black teachers in the 15 county systems for which figures are available, only 55 were assigned full or part-time to white schools. Conversely, only 59 white teachers out of a total of 1,061 were assigned to black schools.

Tangible inequalities.—Almost all black students who do attend school attend all-black schools, with other children who also come from impoverished backgrounds. Historically Southern schools have been segregated, supposedly separate but equal. But *Plessy v. Ferguson* was no more followed in the South before 1954 than *Brown v. Board of Education* is today. Even today the rule of equality announced in *Plessy* is not followed in the hearing area. In a school system which itself is poor by standards prevailing elsewhere in the country, the black schools are inferior to the white schools by virtually every yardstick, whether the measure is value of school buildings or the quality of the facilities, courses or instruction.

In the 1966-67 school year Alabama school districts averaged only \$390 per pupil in school expenditures, making the State 46th in the Nation. In 1966-67, according to figures issued by the Alabama State Board of Education, Federal funds totaled \$49,406,139, accounting for more than 1/3 of the total budget. State funds accounted for approximately 78 per cent of the nonfederal revenues for public elementary and secondary schools in Alabama in 1966-67. Thus local funds make up a very small percentage of the total funds expended by most school systems in Alabama. Gene Stroud, Superintendent of Butler County Schools, for example, testified that the Butler County Schools could operate for only 13 days on local tax resources. State and Federal support, however, did not begin to meet the educational needs of the students in rural school districts. The National Education Association in a recent report of its investigation of the school system in Wilcox County, Alabama, noted that:

¹ On March 22, 1967, a three judge panel issued a decree in the case of *Lee v. Macon County Board of Education*, 267 F. Supp. 458 (1967), aff'd 389 U.S. 215, ordering the desegregation of 99 of the 118 school districts in the State of Alabama. The other 19 school districts were already under separate court orders and therefore were not included. Under the Guidelines issued by the Department of Health, Education, and Welfare, a district can qualify for Federal financial assistance by agreeing to comply with the court order. Thus the Department of Justice, which participated in the *Lee v. Macon* suit, must now bear major responsibility, together with the Federal courts, for the desegregation of Alabama schools.

² Mr. Shambray's concern was not without merit. Commission staff visited Butler County in December 1967, in preparation of its study "Southern School Desegregation 1966-67." A tenant farmer outside Greenville reported that the previous September, after some of his children had signed to attend a white school, his landlord told him to move, saying, "I'm just not up for colored children going to white school."

The gap between income and need is particularly glaring in the rural Black Belt counties . . . where the majority of the population is poor, and where even the meager sources of tax revenue available are underutilized.

In some instances, available money is earmarked for programs that may no longer be meaningful. For example, school officials from Eufaula testified that the State and Federal governments were providing funds for teachers of vocational agriculture and home economics. They expressed doubt that any job opportunities were opened for persons taking agriculture courses while for persons taking home economics courses available jobs were in eating places and in private homes. Levi Pettway, a senior at Boykin High School in Boykin, testified that he had studied vocational agriculture for three years even though he did not plan to become a farmer. Other students were having the same experience, he said.

Comparison of Financial Resources for Black and White Schools.—There are sharp disparities between black and predominantly white schools in the hearing area. In an extreme case in Lowndes County, the per pupil value of the black schools was \$120, while for the white schools it was \$1,306. For the 16 county hearing area, the county schools attended by white students had an average value of almost four times that of the schools attended by black students. The average for the white schools was \$823.75; for the black schools it was 240.81.¹

In seven of the school districts in the hearing area covered by *Lee v. Macon*, there was a large difference between the per pupil insurance valuation of the black schools and the traditionally white schools in 1967–68. For example, in the Demopolis School System, the insurance valuation of the buildings for white pupils was \$911 per pupil and for blacks it was \$486 per pupil.² Six of the school districts in the hearing area covered by *Lee v. Macon* had a significantly lower per pupil value for furniture and fixtures at the black schools. The Marengo School System, the system with the greatest disparity, had a valuation of \$24 for the black schools and \$95 for the white schools. None of the school systems had formulated a plan to correct the disparity.³

Another indication of the comparative quality of schools for black and white students is the respective number of black and white schools with inadequate enrollments. In the 16 county school districts within the hearing area, there were 212 schools, attended by less students than the number prescribed by the State Department of Education as the minimum number that any school should have, during the 1965–66 school year; 169 of them (80 percent) were black schools.

Many such schools continue to exist. Among these schools are 11 in Sumter County, nine in Marengo County, and eight in Clarke County.⁴

Dr. Ernest Stone, when asked to explain how it was possible for the Clarke County School System to have a white school worth \$110,000 and a black one worth \$750, stated that the State had nothing to do with the building of either building, everything was planned by the local school system: "It's a little something that we call democracy and we think that it's worked pretty well," he stated.⁵

Democracy does not work so well for black persons in Bellamy either, a company town operated by the American Can Corporation. The public school in Bellamy—owned by the company and leased to the school system—is attended by the children of that company's black employees. It is a wooden structure with seven rooms, each heated by a pot-bellied stove and lighted by a single bare bulb in each room. The toilets are outdoors, more than a 100 feet from the building. On rainy days the area between the school and the toilets becomes a sea of mud, as it was on the day Mrs. Frankie M. Freeman, a member of the Commission, visited the school. The only running water available is from spigots outside of the building. All of the white residents of Bellamy send their children by bus to the county school in Livingston, Alabama, 10 miles away. Dr. Stone, questioned about the situation in Bellamy, admitted it was deplorable, but noted that this was not the only place where such a situation exists. He stated

¹ See Appendix B.

² See Appendix C-1.

³ See Appendix C-2.

⁴ See Appendix D.

⁵ Dr. Stone also noted that historically white persons "have provided more money out of their pockets to make for a quality school than the Negroes have." As of February 1, 1968, only two counties in the hearing area had black school board members, Greene (Reverend Peter Kirksey) and Macon (Dr. Charles Gomillion and Mrs. Elizabeth H. Richardson). *Political Participation*, U.S. Commission on Civil Rights (1968).

that large numbers of poor black and white students are being denied a decent education in the State of Alabama.

Instructional Quality.—Instructional quality was higher at the traditionally white schools than at the black schools. Miss Sadie Allen who was an honor student at Southside High School in Greenville, testified that she was rejected by St. Margaret's School of Nursing. Miss Allen—ninth in a class of 114—was not accepted for admission because her achievement test scores in science, mathematics and verbal ability were far below acceptable minimum standards.

O. B. Carter, Arthur Jones and Theodore Gibbs, officials of the Eufala School System testified that Eufala High School, more than 90 percent white, had a distributive education course, under which students received classroom instruction and on-the-job training with employers engaged in merchandising. They stated that students had been placed in doctors' offices, hospitals, grocery stores and banks. A similar course was not offered at McCoo High School, the all-black school, which instead provided a trade training program, offering carpentry and cabinet work and involving no on-the-job training. Thus whites were trained to work in doctors' offices and banks while blacks were trained for carpentry.

Gene Stroud and Charles Newton, officials of the Butler County School System, testified that the black high schools were inferior to the predominantly white high schools because of the inferior preparation of the black teachers. As in the Eufala School System, they testified that the white high school, but not the black one, offered a distributive education course in sales and merchandising. The black high school offered courses in auto mechanics, cosmetology, masonry, and construction trades. They also stated that the library at the black high school was inferior to that at the white high school. They agreed that the school system bore part of the responsibility for the fact that the achievement of black students was not equal to that of white students because over the years better teachers and more funds had been going to the white schools.

The number of elective courses offered to high school students generally is greater at all-white or formerly all-white schools than at black schools. In the 16 county school systems during the 1966-67 school year, white high schools offered 117 elective courses that were not offered at black schools, but only 88 elective courses were offered at black schools which were not offered at white high schools.¹ Not only did the white schools offer a larger number of courses than black schools, but the quality of course offerings were more substantial. In a compliance review of the schools in Autauga County in January 1967, DHEW investigators found that "[c]ourses such as geography, journalism, speech, speed reading, advanced foreign languages, business math and English are offered at one of the predominantly white schools but are not offered at either of the two Negro schools."

There were generally fewer library books per student in black schools than in white schools in the 16 school districts. In the white schools, there was an average of 13.8 books per child, while there were only 5.9 books per child in black schools.

The State of Alabama assesses the quality of a school's instructional program through the process of accreditation. Accreditation is particularly important for students who want to go on to college. In the 16 county school systems, every white high school was accredited by the State of Alabama in 1966-67, but only 66 percent of the black high schools were accredited.² In Clarke County, only 34 percent of the black high schools were accredited; in Sumter County the figure was 60 percent.

In addition to the State, the Southern Association of Colleges and Secondary Schools—a regional accreditation body—accredits high schools in Alabama. The accreditation standards of the Southern Association are much higher than those of the State of Alabama. Thus many high schools accredited by the State of Alabama are not accredited by the Southern Association. For example, the two black high schools in Butler County are accredited by the State of Alabama, but not by the Southern Association. Butler County has three white high schools, however, all of which are accredited by the State and two of which are accredited by the Southern Association. In Greene County there are two black high schools and one white high school, all accredited by the State but only the white high school accredited by the Southern Association.

¹ See Brief of the United States in *Lee v. Macon County*.

² *Ibid.*

VOCATIONAL EDUCATION

During the 1966-67 school year, 477 schools in Alabama offered vocational education; 448 or 94 percent were regular secondary schools and 27 were technical or vocational schools. The former provided vocational training for in-school youths; the latter for out-of-school youths and adults. All are under court order to desegregate.

The importance of vocational education in breaking the poverty cycle was demonstrated by the success of the State trade schools in Alabama. J. F. Ingram, the Alabama Director of the Division of Vocational Education, stated that the employment experience of the trade school graduates has been very good. Most of the graduates have been able to get jobs in the trade for which they were trained. The schools remain segregated, however, and the few black schools are inferior to the white ones.

The trade schools were established along racial lines with separate districts for the black and white schools. In several cases, a black and a white trade school are located in the same city. These districts remained unchanged by the *Macon* decree.

For example, Tuscaloosa and Montgomery each have two trade schools. In each city one of the schools is virtually all black with few if any white students and the other nearly all white with a few black students. With the exception of one white instructor at the black school in Montgomery, there is no faculty integration at the four schools.

In both cases, the schools serve overlapping areas. Both of the black schools serve a much wider geographic area than the white schools. In some cases, a black school located in one county serves another county which has a predominantly white school. For example, black students are bused 50 miles from Selma (Dallas County) to the predominantly black Trenholm School in Montgomery (Montgomery County), even though the predominantly white King School is located in Selma. Thus, white and black students are given an opportunity to choose schools virtually or largely segregated by race.

The directors of both trade schools in Tuscaloosa told Commission staff that they recruited only at those high schools at which the predominant race of the student body was the same as that of the students at the trade school. A similar situation pertained at the Montgomery Schools. Seven of the courses offered in the black trade school in Tuscaloosa are identical to those offered in the white school. The two schools in Montgomery offer 10 identical courses. This situation indicates clearly that the schools are intended to serve racially different populations. Students desiring to take cosmetology, in fact, are encouraged to attend the school serving their race, because of differences in hair texture and styling. Not only does such a practice reinforce the idea that the school where particular courses are offered is for either black or white students, it also limits the employment opportunities of the school's graduates. Black cosmetologists, for example, by not being trained to work with the hair of white persons, are thus limited to employment in all-black establishments. Some courses, on the other hand, are offered at one school, but not the other. Those offered exclusively at the white schools tend to be in the relatively higher skilled categories and lead to higher paying jobs, while those at the black schools tend to be courses preparing students for the lesser skilled, lower paying jobs traditionally filled by black persons.

Commission staff visited five cities having only one trade school. The instructors at the five schools were all white. The number of black students at these schools varied from one (enrollment 150) at the Hobson School in Thomasville, to 31 or 22 percent (enrollment 140) at the Sparks School in Eufaula, to approximately 60 (enrollment 400) at the Opelika School in Opelika. Although some of their directors had visited black high schools, none of the schools engaged in an aggressive recruitment program among potential black students.

STUDENT ENROLLMENT AND FACULTY DISTRIBUTION BY RACE

County	Total enrollment		Enrollment				Total faculty		Faculty in white school		Faculty in black school	
	White	Black	White school		Black school		White	Black	White	Black	White	Black
			White	Black	White	Black						
Autauga ¹	4,296	2,278	4,296	79	0	2,199	165	87	159	11	6	79
Barbour ²	906	2,246	906	61	0	2,185	62	98	58	5	4	93
Bullock ²	786	2,796	786	34	0	2,762	53	115.5	41	1	12	114.5
Butler ¹	2,962	3,020	2,962	41	0	2,979	130	131	119	10	11	121
Choctaw ²	2,340	2,507	2,340	13	0	2,494	101	120	101	0	0	102
Clarke ¹	2,642	3,390	2,642	53	0	3,337	64	131	60	6	4	125
Dallas ¹	2,177	5,012	2,177	13	0	4,999	69	218	84	1	5	217
Greene ²	507	3,001	507	36	0	2,965	20	119	18	3	4	116
Hale ²	1,093	2,612	1,093	85	0	2,527	57	139	55	3	2	136
Lowndes ².....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Macon ¹	429	4,178	428	167	1	4,011	36	178	31	2	7	177
Marengo ¹	771	3,233	771	4	0	3,229	39	144	39	3	0	141
Monroe ¹	2,373	3,553	2,373	30	0	3,523	109	148	105	5.5	4	142.5
Perry ²	600	2,806	600	79	0	2,727	36	90.25	32.5	1.5	3.5	88.57
Sumter ¹	874	4,596	874	11	0	4,585	42	201	37	3	.5	198
Wilcox ²	1,087	3,954	1,087	63	0	3,891	58	174	58	0	0	174
Total.....	23,843	49,182	23,842	769	1	48,412	1,061	2,075.57	997.5	55	59	2,024.25

¹ School district is subject to court decree in Lee v. Macon County Board of Education, 267 F. Supp. 458 (M.D. Ala., 1967), affirmed 389 U.S. 215.

² School district is subject to a separate court order.

³ In addition, there is 1 part-time white teacher in a black school.

⁴ In addition, there is 1 white guidance teacher in a black school.

⁵ No statistics available. Many white students have boycotted public schools in favor of private schools.

⁶ No statistics are available on 1 black school.

⁷ In addition, there is 1 black reading instructor in a white school, 1 white reading teacher in a black school, and 1 white librarian in a black school. There also are 2 guidance counselors, 1 art teacher, and 1 music teacher serving all schools.

Source: Department of Justice and Office of Education, DHEW, figures are for September 1967.

APPENDIX B

VALUE PER PUPIL OF SCHOOL BUILDINGS AND CONTENTS, 1966-67

County	White	Black	County	White	Black
Autauga.....	\$454	\$355	Macon.....	\$2,731	\$354
Bullock.....	1,042	397	Marengo.....	750	228
Butler.....	509	396	Monroe.....	807	287
Barbour.....	1,174	200	Perry.....	1,134	214
Choctaw.....	1,143	402	Sumter.....	679	241
Clarke.....	569	188	Wilcox.....	733	221
Dallas.....	645	377			
Greene.....	847	249	Total.....	13,180	3,853
Hale.....	1,176	300	Average.....	823.75	240.81
Lowndes.....	1,306	120			

Source: Brief for the United States in Lee v. Macon, table III, app. C, pp. C-13, C-23.

APPENDIX C-1

INSURANCE VALUATION OF BUILDING PER PUPIL

County school system	Predominantly white schools	Predominantly black schools
Butler.....	\$475.55	\$347.77
Clarke.....	399.00	265.00
Dallas.....	511.32	319.68
Demopolis.....	911.00	486.00
Marengo.....	624.00	295.00
Selma.....	632.31	525.14
Thomasville.....	480.29	411.30

Source: Letter from Stephen Pollak, Assistant Attorney General in charge of the Civil Rights Division, Department of Justice, to Dr. Ernest Stone, State superintendent of education, State Office Building, Montgomery, Ala., Mar. 13, 1968. (Hereinafter called "Pollak letter.")

APPENDIX C-2

INSURANCE VALUATION OF FURNITURE AND FIXTURES PER PUPIL

County school system	Predominantly White Schools	Predominantly Black Schools
Autauga.....	\$28.05	\$22.53
Dallas.....	31.97	23.14
Demopolis.....	147.00	75.00
Marengo.....	95.00	24.00
Selma.....	61.55	46.57
Thomasville.....	76.05	59.96

Source: Pollak letter.

APPENDIX D

BLACK SCHOOLS HAVING SUBMINIMAL ENROLLMENTS

County school system	School	Grades covered	Recommended enrollment	Enrollment
Autauga.....	New Salem.....	1 to 6.....	175	20
Marengo.....	Shiloh.....	do.....	175	50
	Jones Chapel.....	do.....	175	70
	Putnam.....	do.....	175	63
	St. John.....	do.....	175	30
	Myrtlewood.....	1 to 8.....	300	97
	Jefferson.....	1 to 6.....	175	85
	Palmetto.....	1 to 8.....	300	189
	Faunsdale.....	1 to 9.....	350	152
	Coxheath.....	do.....	350	329
Marion.....	Lincoln School.....	K to 12.....	525	321
	Ada Hanna.....	1 to 9.....	350	50
Monroe.....	Greer Junior High.....	do.....	350	319
	Vredenburg Junior High.....	do.....	350	201
	Uriah Junior High.....	do.....	250	180
	Monroe Junior High.....	do.....	350	274
Clarke.....	Alberta Elementary School.....	1 to 6.....	175	55
	Alma Junior High.....	1 to 9.....	350	175
	Clarke County Training School.....	1 to 12.....	525	426
	James Chapel Elementary.....	1 to 6.....	175	36
	Lilly Valley Elementary.....	1 to 8.....	300	44
	Little Grove Elementary.....	1 to 6.....	175	52
	Mackey Branch Junior High.....	1 to 8.....	300	214
	Morvin Junior High.....	1 to 9.....	350	96
Sumter.....	Kinterbish II.....	1 to 6.....	175	58
	McGowen.....	do.....	175	64
	Judkins.....	1 to 8.....	300	77
	Arrington.....	1 to 6.....	175	99
	Epes.....	do.....	175	78
	Gainesville.....	1 to 8.....	300	108
	Whitfield.....	do.....	300	113
	Bellamy.....	do.....	300	180
	Sumterville.....	do.....	300	167
	Belmont.....	1 to 12.....	525	251
	Kinterbish High.....	do.....	525	410
Dallas.....	Shiloh High School.....	do.....	525	458
	Hasen Harrell High.....	do.....	525	457
	Taylor Union High.....	do.....	525	418
	E. M. Brown High School.....	do.....	525	392
	Hunter Mission Elementary School.....	1 to 6.....	175	155

Source: Pollak letter.

APPENDIX E

COMPARISON OF SCHOOL ACHIEVEMENT OF WHITE AND BLACK STUDENTS IN THE RURAL SOUTH

	Grade levels behind ¹		
	6	9	12
Verbal ability:			
White students.....	0.7	1.0	1.5
Black students.....	2.5	3.9	5.2
Reading comprehension:			
White students.....	.5	.8	1.0
Black students.....	2.7	3.7	4.9
Math achievement:			
White students.....	.7	.9	1.4
Black students.....	2.6	3.7	6.2

¹ "Grade levels behind" refers to the number of months behind the average white in the metropolitan Northeast, the natural standard of comparison used in the title IV survey.

Source: Coleman, et al., Equality of Educational Opportunity, tables 3.121.1-3.121.3, 274-275 (1966).

STAFF REPORT: HEALTH, WELFARE, AND FOOD PROGRAMS

At its May hearing in Montgomery, the Commission heard testimony from many Negroes whose lives were unchanged by health, welfare, and food programs designed to improve the condition of the poor.

I. FOOD PROGRAMS

Although 14 of the counties in the 16-county hearing area have some type of government sponsored food program,¹ seven of the 14 have been designated "Hunger Counties" by the Citizens' Board of Inquiry into Hunger and Malnutrition in the United States.² To be cited as a Hunger County by the Board, 3 of the 4 following conditions had to exist: a postneonatal mortality rate twice as high as the national average; at least 40% of the people in the county in poverty; fewer than 25% of the poor participating in food stamp or commodity programs and less than 25% of the poor receiving welfare assistance.

In counties with a surplus commodity distribution program, Commission investigators found that many families were depending on the commodities as the primary source of food and thus were living on nutritionally-inadequate diets. Mrs. Pattie Mae Haynes who has six children, aged 1-13, and whose only income is a welfare payment of \$117 a month, stated that she received grits, peas, meal, flour, canned beef, and lard under the commodity program and that these foods were usually the only thing the family had to eat. Some of the food items were provided in insufficient quantities to last the entire month.

In counties with a food stamp program, many families went hungry or bought food on credit from neighborhood stores because they did not have the money to buy the stamps—a particular problem in a noncash economy where many families earn less than \$800 a year. Many were able to buy the stamps infrequently and then only at the sacrifice of other household necessities. Often the amount of food obtainable with the stamps did not last the entire month. Mrs. Helen Randale, who has six children and no husband, said she told the stamp distributors that she did not have any money to buy stamps and was told that "if I didn't have [any] income, I couldn't get any [stamps]." In order to feed her family, she had to rely on credit and donations from neighbors. Another witness who was unable to buy stamps regularly, Mrs. Mary Wade, testified that in order to buy the stamps she had to do without other necessities: "I have to put off a lot of bills or either borrow money from some of my friends and have to pay them back later on and pay interest on it."

Other witnesses testified that the amount of food they were able to purchase with the stamps was insufficient; at the end of the month, their meals consisted of milk and bread and turnip greens.

The Surplus Commodity Program

Section 32 of the Agricultural Adjustment Act of 1933,³ as amended, authorizes the Secretary of Agriculture to spend 30 percent of the custom duties collected during the previous calendar year, plus up to \$300 million of the unused balances from previous years to "encourage the domestic consumption of [agriculture] commodities or products by diverting them . . . from the normal channels of trade and commerce or by increasing their utilization through benefits, indemnities, donations or by other means, among persons in low income groups as determined by the Secretary of Agriculture." Section 416 of the Agricultural Act of 1949⁴ authorizes the donation of commodities acquired through price support operations to needy persons. The Secretary of Agriculture established the Surplus Commodity Program as a means of implementing these legislative directives.

¹ Macon, Marengo, Monroe, Butler, Wilcox, Autauga, and Lowndes have a surplus food program and Bullock, Dallas, Greene, Hale, Perry, Sumter, and Choctaw have a food stamp program. A food stamp program for Clarke County has been approved but was not in operation at the time of the hearing. Barbour County has requested a food stamp program.

² Autauga, Bullock, Clarke, Dallas, Hale, Lowndes, Macon.

³ 7 U.S.C. 612(c).

⁴ 7 U.S.C. 1431.

The type of commodity distributed under the program is determined by current surplus products and generally consists of such items as dry beans, corn meal, flour, grits, shortening, rolled oats, peanut butter, split peas, rice and rolled wheat.⁵ Surplus commodities do not include fresh meat, fresh vegetables or fresh milk.⁶ The commodities are viewed by the Department of Agriculture as supplements to the recipient's food supply; however, as noted, many families rely on the commodities entirely.

Staff investigation revealed that although public assistance recipients are automatically eligible for the surplus food, not all such recipients are participating in the programs. During the period October 1966—September 1967, 26.2% of the public assistance recipients in Macon County and 24.5% of such recipients in Marengo County did not receive surplus food. In January 1968, 20% of the public assistance recipients in Butler County, and 23% of the public assistance recipients in Wilcox County received no surplus food.

Although no payment is necessary to obtain food under a surplus commodity program, distribution procedures deter many eligibles from participation. Testimony at the hearing indicated that most counties had only one food distribution point and transportation was necessary to get to the food. In addition, the volume of the food distributed—22 lbs. per household member—aggravated the transportation problem. The Commission also heard testimony by commodity recipients that many of the commodities "would be full of weevils and bugs and things. You couldn't eat [them]," testified Mrs. Elizabeth Hutton.

The Food Stamp Program

The Food Stamp Act of 1964⁷ authorized the creation of a food stamp program in order to utilize the nation's abundance of food "to the maximum extent practicable to safeguard the health and well-being of the Nation's population and raise levels of nutrition among low-income households." Under the Act, the Secretary of Agriculture is charged with formulating and administering a food stamp program that will provide needy households "an opportunity more nearly to obtain a nutritionally adequate diet" through the issuance to them of food stamps which have a greater monetary value than their normal expenditures for food. The stamps are then used to purchase food from retail food stores.

The Act provides that "In areas where a food stamp program is in effect, there shall be no distribution of federally owned foods to households . . . except during emergency situations caused by a national or other disaster as determined by the Secretary."⁸

When a county shifts from a surplus food to a food stamp program, there is almost always a drastic drop in participation. Staff interviews with eligibles who were not participating in the stamp program revealed that the cost of stamps was the main reason for nonparticipation. When Dallas County shifted from surplus food to food stamps in the 1966-67 fiscal year, participation declined by more than 50 percent, from 11,493 to 5,237 individuals. In Greene County, where a similar change occurred in the same year, participation was almost halved, dropping from 6,666 to 3,685. Mr. Ruben King, the Commissioner of the State Department of Pensions and Security, testified that in most of the counties that have switched from commodities to food stamps, approximately one-third of the recipients drop out.

An even smaller proportion of public assistance recipients are participating in the food stamp program than participate in the surplus food program. During the period October 1966—September 1967, 87.3 percent of the public assistance recipients in Bullock County, 86.3 percent in Dallas County, 81.6 percent in Greene County and 75.5 percent in Hale County, did not participate in the food stamp program.

In January 1968, 64.7 percent of the public assistance recipients in Perry County were not participating in the food stamp program. Mrs. Augusta Wilkinson, the Director of the Dallas County Department of Pensions and Security

⁵ The types of food distributed under the program vary from month to month with the exception of flour, corn meal, corn grits, and bulgar, which have always been available for distribution monthly.

⁶ A Department of Agriculture survey indicates that from 26-30 percent of the diets of Southern rural people have less than two-thirds of the recommended dietary allowances. For persons in poverty in the same area, the percentages are 42-43 percent. Such diets, over sustained periods of time, are considered hazardous to health. U.S. Department of Agriculture, *Dietary Levels of Households in the United States*, Spring 1965, ARS Report No. 62-17, January 1968.

⁷ 7 U.S.C. 2012 *et seq.*

⁸ 7 U.S.C. 2013 (b).

gave the following explanation for the small number of public assistance recipients who were purchasing food stamps:

. . . when a person receives assistance, particularly mothers, and it averages around \$16 per child, it's awfully hard to buy a lot of food and then have set aside money for rent, for clothing, and incidentals that they have to have.

Mrs. Wilkinson stated that transportation problems were also responsible for the decline in participation:

. . . I think that the transportation problem is very acute in our county. As you well know, the Negroes who live out in the county, they are charged \$5 to come in to get the food stamps. . . .

Mrs. Helen Randale, who lives in Greene County, testified that she had to pay \$3 for food stamps and \$2 for transportation to obtain the stamps.

Program Inadequacies

In both food programs, the needs of the poor are subordinated to other interests.

Since the surplus commodity program was conceived of as an efficacious means of disposing of farm surplus and thereby protecting farm prices, the Department of Agriculture, generally, has not considered the nutritional needs of those who depend almost entirely on surplus foods for their basic diet.

The Food Stamp Act attempts to provide the poor with more adequate diets and, at the same time, protect farmers and commercial food suppliers. The legislative method used to accomplish these dual objectives was to require the stamp recipient to continue to spend the amount he normally spent for food and then to give him a bonus payment that would enable him to increase his consumption of food. The insistence that stamps be used to supplement rather than supply regular food needs does not take into account the realities of the budgets of poor people, who must often choose between having adequate food, clothing, or shelter because there is not money enough for all three.

The Department of Agriculture, in its regulations implementing the food programs and other administrative action, has further weakened the effectiveness of the programs as vehicles for providing the poor with adequate diets.

The Food Stamp Act specifies that stamp prices are to be set for each family at an amount determined to be equivalent to their normal expenditures for food.⁹ The Department, however, has not based stamp prices on individual determinations of "normal expenditures", but rather on average expenditures for families of the same size and income. Thus a substantial number of families must pay more for the stamps than they normally pay for food.

Some examples of the cost of food stamps are:

A family of four with a monthly income of \$80 must pay \$36 (45% of its income) towards food stamps and receives \$68 worth of stamps. If their monthly income increases to \$90, they must pay \$4 of the \$10 increase towards food stamps (for a total of \$40) and receive \$70 worth of stamps—a value increase of only \$2.

A family of eight with a monthly income of \$30 must pay \$10 (33½% of its income) and receives \$84 worth of stamps. Should their income increase to \$40, \$6 of the \$10 increase must be contributed to stamp costs. Although the amount of the family's contribution has increased by \$6, the value of the stamps received remains the same—\$84.

Stamp prices have been established with little consideration given to the actual food-buying practices of the poor, particularly in rural areas where the poor traditionally mortgage their crops and subsist on credit purchases throughout the year. Thus, income earned is not a reliable indication of cash actually available each month for purchasing food. The amount the poor have to spend on food, moreover, in any one month is dependent on such variables as what bills have to be paid, what emergencies have arisen, and whether work was available in the month in question. In addition, the standardized pay scale does not take into consideration variations in ages of family members which affect the type and quantity of food needed, or seasonal changes in income.

The schedules of stamp prices set up by the Department, moreover, do not reflect the differences between the amounts spent for food in urban and rural areas and thus penalize the rural poor by assuming their food expenditures are the same as those of their urban counterparts. The stamp issuance plan makes

⁹ 7 U.S.C. § 2016(b).

no provision for providing free stamps to families who have no income or available cash, although such families have no "normal expenditures for food" and legislative history of the Act clearly indicates that such persons should receive the stamps free.

Despite the designation of 255 counties as "Hunger Counties" by the Citizens' Board of Inquiry into Hunger and Malnutrition in the United States and the well-publicized documentation of the extreme deprivation which exists in many areas of the country and which amounts to a chronic condition of emergency, the Secretary of Agriculture has not made use of the power given him the Food Stamp Act to authorize the concurrent operation of the food stamp program and the surplus commodity program in these areas, although the congressional debate surrounding this provision of the bill makes clear that such power was to be exercised in areas of economic need where persons could not afford to buy food stamps.¹⁰

As noted earlier, the Commission found that many needy families depend on surplus commodities as their major source of food. The commodities currently distributed do not provide nutritionally-adequate diets. Secretary Freeman has indicated that he has the power to spend Section 32 funds to increase the variety of commodities distributed to the needy. Yet, he has returned to the United States Treasury in the last ten years over \$902 million in unused Section 32 funds and plans to return \$228,616,000 this year. The Secretary gave the following explanation for his return of Section 32 funds in a May 27, 1968 letter to the Chairman of the House Education and Labor Committee: "The only way in which the Section 32 funds could have been used would have been to add to the variety of commodities being distributed in counties which had programs. While this would have been desirable, it was not judged to be crucial to the food program."

Secretary Freeman has contended that the only use he can make of Section 32 funds is to purchase surplus commodities and provide for their distribution. He claims that Section 32 funds cannot be used to add nutritious non-surplus commodities to the program. The language of the Section and its legislative history do not support such a restrictive interpretation. In any event, even under the Secretary's reading of the act, Section 32 funds could be used to improve distribution procedures for the commodities in order to increase participation in the program.¹¹

II. WELFARE

Just as government food programs have failed to provide the poor with sufficient food, public assistance programs have failed to provide the poor with a decent standard of living.

Mrs. Pattie Mae Haynes and her six children live in a three-room house that has no electricity or indoor plumbing. Since the roof in two of the rooms leaks, the family cooks and sleeps in one room. Mrs. Haynes is 43 years old and in ill health. The Haynes' family does not have an outhouse and must use the woods behind the house. Water for household chores and for drinking comes from a polluted spring 100 yards from the house down a steep hill. There are only one or two chairs in the house and the children must eat their meals on the floor. Mrs. Haynes often has to keep her children home from school because they do not have shoes. Mrs. Haynes and her family receive \$117 a month in welfare payments.

Mrs. Rebecca Ward has 11 children and grandchildren living with her and works as a maid five hours a day, six days a week for \$12. Because she has a \$12 weekly income, Mrs. Ward gets \$26 a month in welfare payments. Mrs. Ward testified that her children do not attend school regularly:

"... I have got four staying out all this year because they didn't have shoes and clothes to wear, and I wasn't able to [buy them any] because I wasn't making but \$12 a week, and I had to try to clothe them and feed them."

Of the 23,891 persons receiving public assistance in the 16-county hearing area, 77.5% are Negro. 91.5% of the persons receiving Aid to Dependent Children (ADC) in the hearing area are Negro. ADC is available to children who are deprived of the care and support of one or both parents by reason of death, illness, or

¹⁰ The institution of commodity programs in these additional counties would not necessitate the discontinuance of commodity programs in other counties since for the past 10 years the Secretary has not used all the Section 32 funds available to him.

¹¹ For example, mobile distribution units that travel to various parts of a county would help to overcome the transportation problems that presently discourage participation. In addition, increased use could be made of local private organizations as distributors of the commodities.

continued absence from the house. Alabama does not have a public assistance program which provides aid to children who are deprived of parental support because of the unemployment of a parent. Thus, many needy families which meet the income requirements for public assistance go unaided if the unemployed father remains with the family.

Families who manage to qualify for ADC find that their economic position is not substantially improved. An ADC family of four receives only \$89 a month from the State Department of Pensions and Security despite that Department's determination that such a family needs \$177 a month for basic items such as food, clothing, and household expenses. Only \$40.30 of the ADC payment is available for use for nonshelter items such as food and clothing. Even if a family were able to spend the entire \$40.30 for food monthly, this amount is only 28% of what the U.S. Department of Labor has estimated is needed by a family of four to maintain an adequate diet. In March 1967, the Federal Index of Poverty showed that \$2,320 a year was needed to afford a family of four even the minimal diet that could be expected to provide adequate nutrition and still leave enough to pay for other living essentials. In March 1967, the cash payment to an ADC family of four in Alabama totaled \$876 per year, 37.8 percent of the Federal poverty index. Even if allowance is made for the average value of surplus food and the food stamp bonus received by ADC families participating in those programs, the total payment is still less than half of the Federal index.

Ruben King, the Commissioner of the Alabama State Department of Pensions and Security, conceded to the Commission that the present cash payment, which represents 50% of the need, is inadequate but that the Department had been unable to get the state legislature to appropriate more money for the program. He stated that the average ADC payment in March of 1968 was approximately \$15 per person and commented:

"\$15 is not enough; there are many children in this State, both black and white, who go to bed hungry at night. . . . [S]ince 1964 the whole Federal program of welfare has been one of a rehabilitative approach, yet, if you cannot give children adequate food, if they do not get adequate education, they are not going to be able to compete in society today, and your vicious cycle of welfare will continue. If these people are not able to compete, then society will leave them along the roadside."¹²

The requirements for the receipt of public assistance, which include factors other than need, are so restrictive as to exclude many needy people. Thus, there are a large number of needy people who are unable to receive public assistance who nevertheless are able to participate in food programs in which need is the only requirement.

From October 1, 1966, to September 30, 1967, non-public assistance recipients constituted between 72.5 and 82.5 percent of those receiving surplus food in Macon, Marengo and Monroe Counties, while in January 1968, 76.5 percent of the participants in Butler County and 86.5 percent of the participants in Wilcox County were non-public assistance recipients.

An even smaller proportion of the participants in food stamp programs are public assistance recipients. From October 1, 1966, to September 30, 1967, in Bullock, Dallas, Greene and Hale Counties, the non-public assistance participants represented between 88 and 97 percent of all participants. In Perry County in January 1968, non-public assistance participants represented 72 percent of the total participants.

III. HEALTH

The life of deprivation which the poor lead has a direct and damaging effect on their health. The debilitating effects of an inadequate diet were described to the Commission by Dr. Alan C. Mermann, a Connecticut pediatrician and a member of the Medical Committee on Human Rights, who directed a health survey among Negroes in Lowndes County during the summer of 1966. He examined 709 children and 110 of their parents. Dr. Mermann testified that 80 percent of the children suffered from anemia which was mainly due to bad nutrition. He estimated that these children had "approximately two-thirds of

¹² Mr. King was opposed to the 1967 amendment to the Social Security Act which limits the Federal contribution to state ADC payments to that proportion of the child population of the state which was receiving ADC assistance during the first quarter of 1968. He stated that he thought one of the reasons for the amendment was to put pressure on the states to develop work incentive programs for ADC recipients. He thought that such programs would be successful because "I think that most of the people on welfare resent the fact that they are on welfare and given an opportunity will come off of the welfare."

the amount of red blood that the Commissioners have." As a result of this condition, their life expectancy is 8 to 10 years less than the life expectancy of whites in Lowndes County. Dr. Mermann described the effect anemia has on learning and performance levels:

"I have never seen children sleeping in school before—this was a summer program—and these children would be asleep on the floor at 10:00 o'clock in the morning. It explains, I think, some of the fatigue that a woman, the mother of six or eight children . . . has when she is operating on a very very low margin of oxygen-carrying capacity in her blood. It explains the difficulty that a man might have in providing for his family. His inability to work on. I think this has a profound economic impact on the community involved."

Dr. Mermann testified that medical studies suggest that a lack of protein in early childhood has an arresting effect on brain development which is irreversible. He also emphasized the psychological effect going hungry has on a child:

". . . if children are not being fed properly from their earliest days, if the parent cannot feed his child, or her child, as parents feel a child should be fed, this produces a certain apathy and . . . a real distrust of the adult world when those earliest crying infant needs are not being met properly.

"This, I think, has profound influence on the way one sees the world from then on."

The diet of most of the Negroes in Lowndes County consists of salt pork, corn meal and beans. The Negro infant death rate is extremely high: 23 of 265 babies die during the first year of birth. 8% of the children and 15% of the adults had kidney disease and 6% of the children and 18% of the adults had high blood pressure. 90% of the children examined stated that they had never seen a doctor. Lowndes County has two doctors: one practicing in the extreme southeastern corner of the county and one in the extreme northwestern corner. There are no hospitals in the county.

The conditions which Dr. Mermann found to exist in Lowndes County are typical of the situation of the poor throughout the 16-county hearing area: the illness and disease which are the products of their deficient diets generally go untreated because of their lack of money and the absence of free medical services. Alabama does not provide health care services to ADC families. The only medical expense allotted in the budget for an ADC family of four is \$1.60 per month for medicine chest supplies. However, since only 50 percent of the family's budget is covered in present ADC payments, it is likely that even this minimal amount is diverted to other purposes.

While each county in Alabama has a public health department, the services provided by these departments are woefully inadequate.²³ Most of the counties do not have full-time public health doctors, with the consequence that very little medical treatment is provided at the health clinic. Immunization shots and birth control devices are available at all clinics. Prenatal and postnatal care of a routine nature are provided, but mothers must make their own arrangements for delivery. Well-baby clinics are conducted by half of the counties but these provide only diagnostic services—not treatment. Full utilization of the services provided by the clinics is hampered by the fact that there is usually only one clinic in a county and some services are provided only on specified days. Thus, in addition to obtaining transportation to the clinic, a person must know on which day the services he needs are provided.

Many Negroes are discouraged from going to the clinics because of the treatment they receive there. The Commission heard testimony that, in many of the clinics, Negroes and whites had separate waiting rooms and that whites were waited on first. Mrs. Helen Randale, a welfare recipient, testified that she was sent to Tuscaloosa by the health department in her county for an eye examination. She had to pay \$10 for transportation for the 50 mile trip, and when she got there she was told that she could not be examined that day, even though she understood she had an appointment. She was told to return the next month. Mrs. Randale told the Commission: "[the lady] treated me so cold, I didn't never go back."

Alabama's infant mortality rate is higher than the national average, and, within Alabama, the rate is higher for Negroes than for whites. Dr. Ira L. Myers, the State Health Officer, testified that one of the primary causes of infant mortality, prematurity, is generally the result of inadequate prenatal care

²³ In 1967, Alabama spent \$1.70 per capita for general health services—well below the national average. Only six county health departments expended over \$2.00 per capita.

and inadequate diet. Inadequate assistance at delivery also is a factor. Alabama does not have a statewide program that provides hospitalization for expectant mothers who cannot afford such costs. As a consequence, many indigent mothers have their babies at home, with only a midwife's assistance. Dr. Myers testified that there are about 700 midwives in Alabama at the present time. The Department of Public Health issues permits for the practice of midwifery and conducts periodic courses for midwives. In 1966, one out of every 10 deliveries was by a midwife.

Eight of the counties in the hearing area have school health programs financed under Title I of the Elementary and Secondary Education Act. Under this program school children are examined for medical and dental defects by nurses hired with Title I funds. Federal money is provided for treatment of any defects found in needy children, but it is up to the child's parents to find a doctor who will treat the child.

For general medical treatment indigent families must rely on the good will of local doctors who must provide their services free if necessary treatment is to be rendered. Local service organizations must be petitioned for funds for necessary drugs and other corrective items. Home health care services are generally unavailable—the ill must either be able to travel to the county health clinic or go without even the limited public health services theoretically available to them.

Alabama does not have a Medicaid program which would provide medical services and drugs to public assistance recipients and other needy persons.

June 19, 1968.

APPENDIX 9

THE CHALLENGE OF URBANIZATION¹

By PHILIP M. HAUSER, University of Chicago

Man or a close cousin has resided on this planet for some 2 to 2½ million years. Over this period four developments, interrelated and reaching climactic proportions during this century, have profoundly affected man's attitudes, values and behaviorisms. These developments are: one, the population explosion; two, the population implosion; three, population diversification; and four, the acceleration in the tempo of technological and social change.

The "population explosion" refers to the remarkable increase in the rate of world population growth, especially during the three centuries of the modern era. In the long view world population growth rates have increased from perhaps two per cent per millennium during the Paleolithic Period (the Old Stone Age spanning some 600,000 years) to two per cent per annum at the present time—a thousand-fold increase.

Since mid-17th century world population has increased over six-fold, from about one-half billion to 3.3 billion at the present time (1968). In quick summary, it took most of the 2 to 2½ million years man has occupied the earth to generate a world population of 1 billion persons—a number not achieved until about 1825. It required only 105 years more to reach a population of 2 billion, by 1930; and only 30 years more to reach a total population of 3 billion, by 1960.

The "population implosion" refers to the increasing concentration of the world's peoples on a small proportion of the earth's surface—the phenomenon of urbanization and metropolitanization. Again, in the long view, this is a relatively recent development. Permanent human settlement was not achieved until the Neolithic Period (the New Stone Age), some 10,000 years ago. Such permanent settlement had to await the great inventions, technological and social organizational, of the Neolithic Revolution—domesticated plants and animals, and the proliferation of the crafts. Clumpings of population large enough to be called towns or cities did not emerge until after about 3500 B.C.; and mankind did not achieve the technological and social organizational development to permit cities of 100,000 or more until as recently as Greco-Roman civilization. With the collapse of the Roman Empire the relatively large urban agglomerations in the Roman sphere of influence diminished in size to small towns providing services to rural hinterlands together with which they constituted almost autonomous subsistence economies.

With the emergence of Europe from the Dark Ages and the series of developments known as the Agricultural Revolution, the Commercial Revolution, the Industrial Revolution, the Scientific Revolution and the Technological Revolution, man achieved levels both of technological and social organizational development that permitted ever larger agglomerations of people and economic activities. In consequence, the proliferation of cities of 1,000,000 or more inhabitants became possible during the 19th century, and the emergence of metropolitan areas and megalopolis, the coalescence of metropolitan areas, during the second half of the 20th century.

In 1800 only 2.4 per cent of the world's people resided in places of 20,000 or more; and only 1.7 per cent in places of 100,000 or more. By 1960, 27.1 per cent were located in places of 20,000 or more, and 19.9 per cent in places of 100,000 or more.

"Population diversification" alludes to the increasing heterogeneity of populations not only sharing the same geographic area but, also, the same life space—economic, social and political activity. And the "same geographic area" and "the same life space," with accelerating technological and social organizational

¹ Prepared for the Urban Journalism Center, Northwestern University, as a synthesis and updating of a number of earlier papers.

developments, have expanded during the 20th century virtually to embrace the entire world.

Population heterogeneity refers to populations diverse by culture, by language, by religion, by values, by behavior, by ethnicity and by race. These are obviously not mutually exclusive categories, but they constitute foci for problems of communication, conflicts of interest, and frictions of interaction.

Finally, the accelerated tempo of technological social change are well enough understood to require little elaboration. Suffice it to say that technological change has, in general, preceded and necessitated social change; and that the gap in rates of technological and social change, evident in myriad examples of "cultural lag" constitutes a framework in the light of which most of contemporary problems, domestic and international, may be better comprehended.

The four developments expositated are, needless to say, highly interrelated. The population explosion has fed the population implosion. Both have fed population diversification. And the accelerated tempo of technological and social change have operated as both antecedents and consequences of the other three developments. Each in its own way and all four in concert have generated severe problems: chronic and acute; physical, economic, social and political; and domestic and international. Man as the only culture building animal on the globe not only adapts to environment, he creates environment to which to adapt; and an increasingly important element in his environment is man himself—more specifically, his increasing numbers, density and heterogeneity. Man has, in large measure, created the world in which he lives—physical, economic, social and political—and he is still learning how to live in it. This is the perspective in the light of which urbanization, which encapsulates all four developments, may be regarded as one of the contemporary world's greatest challenges.

URBANIZATION IN THE UNITED STATES

The United States constitutes the world's most dramatic examples of all four of the developments outlined above. These have precipitated major crises during the last third of the 20th century and constitute the framework for comprehending and dealing with America's urban difficulties. Virtually all of the urban problems which are increasingly and urgently requiring national attention, whether they be physical, personal, social, ethnic and racial, economic or governmental problems, may be viewed as frictions in the transition which is still under way transforming the United States from an agrarian to an urban and metropolitan order.

The Population Explosion.—In 1790, when the first Decennial Census of the United States was taken, the United States had a total population of less than 4 million persons. By 1960 the population of the nation numbered more than 180 million; during 1967 it reached 200 million.

The rapid population growth of the United States was the product both of natural increase, the excess births over deaths, and of immigration. Between 1820, when the government first began to count newcomers, and 1966, almost 44 million immigrants were admitted into the country, predominantly from Europe. The peak in immigration was reached during the decade 1901 to 1910, when some 8.8 million immigrants were admitted. During World War I immigration slackened, and then, with the passage, beginning in the 1920's, of the various laws controlling the admission of newcomers, immigration became a minor factor in population growth. It is now restricted to about 300,000 immigrants per year. Despite the relatively large volume of immigration, in no decade did immigration exceed natural increase in contributing to total population growth.

Natural increase, including of course that of the immigrants, has been the main source of population growth of the nation. By reason of the changes in fertility and mortality the rate of natural increase in the U.S. declined from about 25 (excess of births over deaths per 1000 persons per year) in 1800 to a level of about 7 at the bottom of the depression. With the post-war baby boom, natural increase rose to a level of about 15, but it declined again to a level of about 9 in 1966, and again to a level of 7 in 1967. Thus, the excess of births over deaths alone, without considering immigration, has changed over time so as to drop from a contribution of a 2.5 per cent annual growth rate in 1800, to a .7 per cent growth rate in 1935, to a 1.5 per cent growth rate during the post-war baby boom, to a .7 per cent growth rate in 1967. Although changes in the birth and death rates considered (the "crude" rates) reflect in considerable part changes in the nation's age structure, nuptiality and child spacing and do not accurately depict what has happened to the level of child bearing per couple during the entire

reproductive span, a more complex subject not considered here, they do show how the net effect of fertility and mortality changes have operated to contribute to the decline in the rate of total population growth of the United States.

The U.S. Bureau of the Census has from time to time made projections of U.S. population on varying assumptions about the future course of fertility and mortality. Such projections made in 1967 indicate that, despite the declining crude birth rate, the United States will continue to experience large absolute population increase in the decades which lie ahead. These projections show that by 1990, only 23 years hence, the population of the U.S. may reach a level of from 256 to 300 million. One of these projections, based on the assumption that fertility would remain at the level obtaining in 1964 and 1965, would produce a population of 207 million by 1970, 243 million by 1980, and 287 million by 1990. The same projection gives a population of 336 million by the year 2000 and 430 million by 2015. These data constitute a brief overview of the population explosion in the United States, retrospective and in prospect. Let us next turn to a consideration of the population implosion in this nation.

The Population Implosion.—In 1790, 95 per cent of the population of the United States lived in rural areas, that is, on farms or in places having fewer than 2500 persons. The 5 per cent of the population who lived in cities were concentrated in 24 such places, only two of which (New York and Philadelphia) had populations of 25,000 or more. By 1850, population in urban places was still as low as 15 per cent. By 1900, however, almost two-fifths of the population lived in cities. But it was not until as recently as 1920 that the U.S. became an urban nation in the sense that more than half of the population lived in cities. That many critical problems affect cities and urban populations should not be too surprising in light of the fact that it will not be until the next Census of Population is taken, in 1970, that the United States will have completed her first half century as an urban nation.

The increase in urban and metropolitan population is the result of net migration as well as natural increase. Cities and metropolitan areas have over the years received large numbers of migrants from rural and non-metropolitan areas of the United States as well as through immigration from abroad. For example, between 1950 and 1960, 35 per cent of the total metropolitan growth was the result of net migration (including immigration) and 65 per cent the result of natural increase.

Migration, in the United States, as elsewhere, represents mainly a movement of population from places of lesser economic opportunity to places of greater opportunity. Moreover, in the United States, as elsewhere, migrants have often been ill prepared in their areas of origin for life in these areas of destination. In consequence, the problems of adjustment of in-migrants to urban and metropolitan areas are often difficult as they seek to accommodate to their new setting. Furthermore, the problems of adjustment are compounded when complicated by differences of language, culture, religion, ethnicity, or race.

The speed of the population concentration in urban and metropolitan areas becomes clear in an examination of developments since the turn of the century. In the first sixty years of this century the increase in urban population absorbed 92 per cent of the total population growth in the nation. In the decade 1950 to 1960 the increase in urban population absorbed more than 100 per cent of total national growth; that is, total rural population, including nonfarm as well as farm, actually diminished for the first time.

The increase in the population of metropolitan areas is equally dramatic. The increase in the population of the Standard Metropolitan Statistical Areas (SMSA's), as they are officially designated by the Federal government (cities of 50,000 or more together with the counties in which they are located), absorbed 85 per cent of total national growth between 1900 and 1960; and the 24 largest SMSA's, those with 1,000,000 or more, absorbed 48 per cent, almost half of the total growth of the nation in the first sixty years of this century.

In consequence, by 1960, 70 percent of the American people, 125 million, resided in over 6000 urban places; and 63 percent, or 113 million persons, lived in 212 SMSA's. In 1965, 67 percent or some 129 million persons lived in the 228 metropolitan areas as defined on May 1, 1967.

The trend towards increased urban and metropolitan concentration of population is likely to continue. The reasons for this are to be found in the advantages of clumpings of population and economic activities. As Adam Smith noted, the greater the agglomeration the greater is the division of labor possible; and this generates increased specialization, easier application of technology and the

use of non-human energy, economies of scale, external economies, and minimization of the frictions of space and communication. In brief, the trend towards urbanization and metropolitanization is likely to continue because such clumpings of people and economic activities constitute the most efficient producer and consumer units yet devised.

While the population of the United States has become increasingly concentrated in urban and metropolitan areas, population decentralization has occurred within metropolitan areas. That is, within metropolitan areas the proportion of residents living in the suburban ring, the area outside the central city but within the SMSA, has increased. During the first sixty years of this century the increase in the population of central cities has absorbed 25 percent of total national growth and between 1950 and 1960, 31 percent. In contrast the increase in suburban population absorbed 45 percent of the total national growth between 1900 and 1960, and 66 percent, a full two-thirds, of total national growth in the decade 1950 to 1960.

As a result, by 1960 almost half of the total population in SMSA's lived in the suburban ring; the central cities contained but a slight majority of metropolitan population. By 1965, however, it is estimated by the Census Bureau that suburban population exceeded that of the central cities. In 1965, suburban ring population is estimated at 65 million, or 51.9 percent of the metropolitan population, while central city population is placed at 60 million, or 48.1 percent.

The reason for the decentralization of population within metropolitan areas is not difficult to trace. It is not so much the result of "flight from the city" as the joint effect of the following two factors. First, with advancing technology the maximum possible size of a metropolitan area has continuously increased. Twentieth-century technology, characterized by electric power, the combustion engine complex—the auto, truck and highway—and the telephone, has made possible much larger clumpings of people and economic activities than any prior technologies. Second, the central city in the U.S. is a creature of the state legislature which incorporates it, grants its charter, delimits its powers, and defines its boundaries. Although cities have some powers of annexation, the rate of population growth has far exceeded the rate of annexations. The reason, then, why suburban rings are growing faster than central cities is simply that with the increased size of metropolitan areas and the historical fact that most central cities have been filled up since 1920, the only place that additional growth could occur was in suburbia.

Short of catastrophic events such as nuclear war, it may be predicted that urban and metropolitan concentration will continue. Within the framework of total population growth outlined above and the assumption of the continuation of urban and metropolitan trends, it is possible that by 1990 the United States with a total population of 287 million would have 233 million urban residents, 81 per cent of the total, and 199 million metropolitan residents, about 70 percent of the total. Suburban rings could contain some 119 million persons, or about 60 per cent of the metropolitan population; while central cities could hold some 80 million persons or 40 per cent of the total. Perhaps 116 million persons, or 58 per cent of the total national population, will be resident in the large SMSA's having a million or more persons.

Population Diversification.—The United States has been one of history's most dramatic examples of population diversification as well as of the population explosion and the population implosion. Although the original European settlers were predominantly from the United Kingdom, the infusion of African Negro population began during the seventeenth century and was followed by waves of diverse European stocks during the nineteenth and early twentieth centuries.

The Census of Population first counted "foreign born" whites in 1850. At that time they constituted 9.7 per cent of the total population. Although successive waves of immigration were heavy, the foreign-born whites never exceeded 14.5 per cent of the total, a level reached in 1890 and again in 1910. They have been a dwindling proportion of the total ever since 1910. By reason of restrictions on immigration the foreign-born will become a decreasing proportion of the population of the nation in the decades which lie ahead.

As has been indicated, between 1820 and 1966, some 44 million immigrants, mainly from Europe, entered the United States. The predominant proportion of immigrants settled in the nation's cities. The immigrants came in great waves. During the nineteenth century large streams of Irish, Germans, and Scandinavians were admitted following crop failures, hard economic times, or political difficulties in their countries of origin. During the early part of the twentieth

century the sources of immigration shifted from Western and Northern, to Eastern and Southern, Europe. Large numbers of Russians and Poles, including Jewish populations, Italians, Bohemians, Greeks, and other peoples responded to the opportunities open to them in the United States.

The processes by which these successive waves of newcomers made their entry into the metropolitan United States, found residential locations, acquired jobs, and achieved status in the social order were strikingly uniform.

Because the cheapest dwelling units in American cities were located in their inner zones, the newly arrived immigrants found their ports of entry and areas of first settlement there, in the older and blighted areas of the city. They initially worked at the least desirable, menial, and lowest paid occupations. They each in turn had the lowest social status and were greeted with suspicion, distrust, prejudice, and discriminatory practices on the part of those who had come by earlier boats. For example, each of the immigrant newcomer groups was greeted with derisive designations. During the nineteenth century the newcomers were known as "Micks" (the Irish), "Krautheads" (the Germans), or "dumb Swedes" (the Scandinavians). During the twentieth century they were known as "Polaks" (the Poles), "Sheenies" (the Jews), "Wops" (the Italians), "Bohunks" (the Bohemians), and so on.

With the passage of time, each wave of the white ethnic immigrants climbed the social and economic ladder as measured by place of residence, job and remuneration, and social acceptability. Each of the white ethnic groups had the option of continuing to live in neighborhoods of their own or in dispersed and integrated fashion.

Needless to say, the assimilation of these immigrant groups, popularly known as "Americanization," was not achieved without a number of frictions. Although the United States is often referred to as a "melting pot," it is clear that assimilation of the immigrants has not proceeded either smoothly or uniformly—in fact the process is still very much under way, and accounts for some of the acute problems of intergroup relations which the nation still experiences.

The more recent newcomers to the urban and metropolitan areas are "in-migrants" rather than "immigrants." That is, they come from the rural and less developed parts of the United States itself, rather than from abroad. The visible Negro and the less visible rural white, including the Appalachian white or "hill-billy," have replaced white immigrants as the main source of the new urban and metropolitan settlers. These groups are supplemented by smaller streams of Mexicans, Puerto Ricans, and Orientals as well as the greatly reduced numbers of white immigrants from Europe.

Because of their special problems, it is useful to examine the population trends of Negro Americans. In 1790, as recorded in the first census of the United States, there were less than 800,000 Negroes in the nation, but they made up about 20 per cent of the total population. By that date they had already been resident in the colonies for 175 years, mainly as the property or indentured servants of their white masters.

Negro Americans remained about one-fifth of the total population until 1810. From then to 1930 they were an ever declining proportion of the total, as slave traffic ceased and white immigration continued. By 1930 the proportion of Negroes had diminished to less than one-tenth of the total. Since 1940, however, the Negro growth rate has been greater than that of the white population, and their proportion had risen to 11 per cent by 1967.

In 1790, 91 per cent of all Negroes lived in the South. The first large migratory flow of Negroes out of the South began during World War I, prompted by the need for wartime labor and the freeing of the Negro from the soil, with the diversification of agriculture and the onset of the delayed industrial revolution in the South. This migration of Negroes from the South was greatly increased during and after World War II. As a result the proportion of total Negroes located in the North and West almost quadrupled between 1910 and 1960, increasing from 11 to 40 per cent.

The migratory movement of Negroes from the South to the North and West effected not only a regional redistribution but also, and significantly, an urban-rural distribution. In 1910, before the out-migration of the Negro from the South began, 73 per cent lived in rural areas—on farms or in places having fewer than 2500 persons. By 1960, within fifty years, less than a lifetime, the Negro had been transformed from 73 per cent rural to 73 per cent urban, and had become more urbanized than the white population.

The great urban concentration of Negro Americans is even more dramatically revealed by their location in metropolitan areas. In 1910, only 29 per cent of Negroes lived in the Standard Metropolitan Statistical Areas. By 1960, this concentration had increased to 65 per cent. By 1960, 51 per cent of all Negroes lived in the central cities of the SMSA's. Moreover, the 24 SMSA's with one million or more inhabitants contained 38 per cent, and their central cities 31 per cent, of all Negro Americans.

By reason of the above developments, by 1850, native whites made up 74.6 per cent of the population of the nation, foreign-born whites 9.7 per cent, and "nonwhites," mainly Negroes, 15.7 per cent. By 1900, the proportions had changed little, 75.5 per cent being native white, 13.4 per cent foreign-born, and 12.1 per cent nonwhite. But in 1900, little more than half the American people were native whites of native parentage. That is, about one-fifth of the population was "second generation," or native whites born of foreign and mixed parentage.

By 1960, native whites constituted 83 per cent, foreign whites 5.2 per cent, and Negroes 10.6 per cent of the total. Native whites of native parentage made up 70 per cent of the total, the remaining 13 per cent of native whites being second generation. Thus, in 1960 "foreign white stock," foreign born plus second generation, still made up over 18 per cent of the total population.

Although the foreign white stock will become a dwindling part of the population in the decades which lie ahead, the proportion of nonwhites, mainly Negroes, is likely to increase. In 1960, there were 20.7 million nonwhites in the U.S., or 11.4 per cent of the total. By 1990 it is estimated by the U.S. Bureau of the Census that nonwhites will double, increasing to 41.5 million. By 1990, nonwhites may, therefore, make up some 14.5 per cent of the American people.

The difficult problems of white-Negro relationships have been worsened by the population changes described. The large increase in the population of Negro Americans in urban and metropolitan areas over a relative short period of time, and the contrast in background and life-styles between Negroes and whites by reason generate tensions that may well constitute the most serious domestic problem in the United States for some time to come.

Problems Generated.—The combined effects of the population explosion, the population implosion, and population diversification have created or aggravated a host of physical problems such as problems relating to housing supply, housing quality, circulation of people and goods, solid and human waste removal, air and water pollution, outdoor recreation, urban design and the management of natural resources.

Similarly cultural and human problems have been precipitated, manifest in the changes from the extended to the nuclear family, from primary to secondary group living, from interpersonal relations based on sentiment and emotion to relations based on utility, from informal to formal social control, from crevice to enacted institutions, from behavior based on tradition to behavior based on planning and rational decision making. These changes have been accompanied by many frictions manifest in social and personal pathology—delinquency, crime, alcoholism, drug addiction, and the like. They have also been accompanied by new problems of security—occasioned by such phenomena as unemployment, poverty, old age, ill health or physical impairment, and family disorganization. The changes have also greatly aggravated problems of intergroup relations and made more visible and more acute the consequences of prejudice and discriminatory practices.

Finally, rapid population growth and urbanization have also generated many political and governmental changes including great increases in governmental functions and personnel, and various forms of intervention into social and economic affairs. They have outmoded inherited forms of local governmental structure, a phenomenon perhaps more acutely evident in the multiplicity of governmental units with powers to tax and to spend within individual metropolitan areas. They have, through cultural lag, produced malapportioned state legislatures and a malapportioned House of Representatives in the Congress of the United States. For example, as recently as 1960 there were 39 states in which the urban population constituted a majority of the population but not a single state in which the urban population controlled the state legislature. They have in many places paved the way for administrative corruption including alliances between organized crime and politicians, and questionable practices on the part of legislators who have, in the main, exempted themselves from codes of ethics and conflict of interest safeguards.

Without question "the urban problem" confronting the United States today is the problem indicated by "the Negro Revolt." It has been indicated above that within half a century the Negro American has become more urbanized than the white American and heavily concentrated in metropolitan areas, and especially in the central cities of metropolitan areas. Hence the Negro is being called upon to make an even more rapid transition from rural to urban living than has been required of the white population; and he has much less adequately than the white been prepared for the changes he must undergo. For example, as recently as 1960, 22 per cent of all adult Negroes, those 25 and over, were "functionally illiterate"; that is, had not completed fifth grade; and 78 per cent had not completed high school.

One consequence of the pathetic share of the American way of life which the Negro has had available to him is evident in the high incidence of poverty in the Negro community. In 1963, 42 per cent of all nonwhite families in the United States were poor, by official designation, as contrasted with 12 per cent of white families. The 2.0 million poor nonwhite families made up 28 per cent of all poor families in the nation, more than two and a half times the proportion (11 per cent) which nonwhite families constituted of the total.

Other categories of the population are confronted with a similar situation. Appalachian whites ("hillbillies"), American Indians, Puerto Ricans, Mexicans and recent immigrants, in general, have also experienced and created many acute problems, for much the same reasons presented above—rapid population increase or concentration, together with inadequate preparation for urban living. Most of these newcomers, like the Negro, are characterized by insufficient education and poverty. They along with other elements of "the poor," who in total number some 7.2 million families with 34.6 million persons including unrelated individuals, constitute a special category requiring special consideration.

Although other minority groups are also badly disadvantaged, it is the Negro community which, in its deep frustration and alienation generated by the combination of poverty and three and one-half centuries subjection to racist doctrine and bigotry, is giving increasing manifestations of approaching open rebellion. In consequence, the United States today is at a crossroads. It is necessary to choose between (a) greatly increased investment in human resources that would enable Negro Americans, and the members of other disadvantaged groups, to assume the obligations and responsibilities as well as the rights of American citizenship, and (b) greatly increased investment in security measures, police, national guard, the army, and concentration camps that would rebuild America into a repressive caste society in the image of the Union of South Africa.

If the American people are to remain true to the American heritage of democracy and equality of opportunity it is necessary to choose the first of these alternatives. To do this a prerequisite is the establishment of national goals.

NATIONAL GOALS

It is within the framework of the above perspectives that national goals in contemporary USA must be set forth. By reason of the changed character of our society the time has come for the formulation of a comprehensive policy in respect of the development of our physical and human resources and a coordinated and integrated series of programs to achieve these goals. In stating this position it must be recognized that, in effect, it is being assumed that the United States is no longer an agrarian society characterized by a laissez-faire economic outlook and the conception that "that government is best which governs least." On the contrary, it is being assumed that the United States as an urbanized and metropolitanized society has come to understand that the personal, social, economic and political freedoms enjoyed by its populace can and must be enhanced by positive government interventionism as necessary for the welfare of the American people. In brief, it is assumed here that the United States is a welfare state and that such a designation is neither pejorative nor dangerous. It is rather a badge of maturity—explicit recognition of the changed character of American society and the new requirements by reason of the change.

By reason of the above considerations the time has come to declare that:

It is the general social goal of the United States to provide each inhabitant of this nation with the opportunity, freedom and security to enable him to achieve optimal development of the human potential; and to contribute, as far as feasible, to attainment of this goal for all humanity.

Although this is a relatively short sentence it embraces—much more than the nation has yet achieved or set out to achieve.

Some clarification of this general goal is in order. To maintain a democratic society, such as the United States professes to be, it is essential that each individual be provided with the *opportunity* to achieve maximum development. Without such opportunity open to each person a society would, in relatively short order, become stratified into various sub-grouping which, over time, would achieve differential positions of power, prestige, or status. Every person in the nation, regardless of background—social, economic, political, racial, ethnic, religious, or familiar—should, as an American, have the opportunity for the development of his capacities so as to be able to assume the obligations and responsibilities as well as the rights of American citizenship and to advance in the social, economic and political order to levels limited only by his personal capabilities.

A major tenet in the political creed of this nation has been the freedom of the individual. There is, of course, no such thing as absolute freedom possible in an organized society. As someone has wisely put it, "the freedom of a person to swing his fist stops at the tip of another person's nose." All human freedom is necessarily set in a social context and freedom, to practice, is often the product of the social constraints imposed. Freedom in an urban and metropolitan society consists in the widening of the range of, and maximization of the opportunities for, individual choice within the framework of a multiplicity of constraints.

Opportunity and freedom have long been recognized elements of the American democratic way of life and had their origin as goals in the pre-urban society. Both opportunity and freedom, in actuality as distinguished from principle, have in the urban society been impaired by the absence of security. Urbanism as a way of life has through increased interdependence—social, economic and political—increased the vulnerability of the individual to risks which often negate both his opportunity and his freedom. For example, the vulnerability of the urbanite to unemployment and interruption of his income flow may deprive him in a fundamental sense both of opportunity and freedom. Similarly, the insecurity associated with chronic poverty deprive the person both of opportunity and freedom. It is absurd to contend that opportunity and freedom are available to those steeped in poverty—disproportionately the nonwhite and other minority groups, the aged, the residents of depressed areas, the acute or chronically ill, the physical impaired or the parents of large numbers of children.

It is to be emphasized that the insecurities being discussed are those that arise, not by reason of the individual refusing to exercise his capabilities in the pursuit of life goals, but, rather, by reason of the play of forces in the urban environment beyond his control. The security that the American order should provide is security against the risks of the highly interdependent and vulnerable society—as manifest in extreme form, for example, through the great depression of the thirties.

Opportunity, freedom and security must be available to every American for human dignity is not possible without all of them. And concern with the status of the individual and human dignity is presumably a fundamental aspect of the American way of life. What is proposed is admittedly a far-reaching social goal with tremendous implications for increasing the role of government—federal state and local—in social and economic affairs. It is, in effect, a statement of the objective of the "Great Society" but, obviously, implies much more than anything that has yet been undertaken.

To achieve this general goal a series of sub-goals should be adopted as national policy and implemented at "all deliberate speed." These sub-goals may be set forth as follows.

It should be the aim of American society to :

1. Provide each child with a setting for effective socialization and formal education, adequate to enable him to assume the obligations, responsibilities, and rights of American citizenship and to enhance his life chances for opportunity, freedom and security ;
2. Provide each inhabitant of this nation opportunity for maximum length of life in good health so as to permit achievement of the human potential ;
3. Plan and exert the necessary control over the environment, including both the physical environment and the social milieu, and including management of air, water, housing, adverse population densities, recreational facilities and urban design, in general, and natural resources ;
4. Provide every person with opportunity for employment commensurate with his education and skill, and to assure him of an adequate flow of income if such employment cannot be provided, preferably for services performed ;

5. Provide every couple with the motivation and incentive as well as the knowledge and means to determine family size—the number of children to be born :

6. Assure equality to all in the administration of justice, including provision for the Federal Government to intervene as necessary, and as provided for in the Constitution and in law, to intervene in the administration of state and local justice when it becomes discriminatory in any way ;

7. Rationalize Federal, State and local governmental structures and procedure, including a more rational allocation of sources of revenue among the different levels of government and the maintenance of basic democratic principles including representative government and majority rule ;

8. Promote economic growth and the development of science, technology, the arts and mass culture and, thus, to provide a milieu in which opportunity, freedom and security may be more meaningful in the attainment of the human potential ;

9. Contribute to the development of a peaceful world order—a world of optimal economic, social and political inter-relationships ; and to strive towards this aim by maximum participation in international organizations including the United Nations and the Specialized Agencies.

It is apparent that great stress has been placed on the rationale and need for increased government intervention to accelerate the attainment of the general social goal and the specific sub-goals. This stress is commensurate with the contemporary setting and requirements. However, it is equally important to stress that government interventionism is not intended to replace but, rather to complement and supplement the role of the private sector. American society with all its deficiencies has made tremendous advances. Government interventionism of the types proposed can and should be achieved without breaking down the incentive and motivation which spur initiative and creativity.

This will admittedly take some doing, the attitudes of many Americans being what they are. But the task is not an impossible one as the experience of other countries indicates. It will not be unlike the task undertaken by Franklin D. Roosevelt in his "New Deal" who faced bitter and unrelenting opposition from many who subsequently came to praise the programs and the floors and the ceilings which he introduced into the conduct of business in the United States. Many elements of the community, for example, who were resistant to the encroachment of the community, for example, who were resistant to the encroachment of government came to understand that the New Deal saved them from themselves and from an out-moded system ; and they came to prosper as well or better than ever with government interventionism. The same can happen in other realms. It is, therefore, proposed as a general fundamental and governing principle that :

Government should do all that it can to maximize the areas of freedom of operation in the private sector consistent with the general goal of providing each inhabitant of this nation with opportunity, freedom and security to enable him to achieve optimal development of the human potential.

The adoption and implementation of the social goals proposed above would, undoubtedly, constitute the best investment the United States could possibly make in her most precious possession—her human resources.

CONCLUDING OBSERVATIONS

Urbanization and metropolitanization have produced a new way of life, "urbanism as a way of life," to use the language of the late Professor Louis Wirth, which is still in process of development. In the transition from an agrarian to an urban society, many problems have been generated, most of which still remain to be resolved. But, along with difficult problems, it must be emphasized that the urban way of life has opened new vistas of opportunity to mankind, higher levels of living, new horizons of the arts and sciences, and ever greater promise of more complete control both of nature and of man's destiny. Thus, urbanization has not only given rise to extraordinarily difficult acute and chronic problems that constitute, perhaps, contemporary man's greatest challenge but, also, in emancipating him from much of his past, urbanization has enabled man to face up to and deal with the problems which confront him.

ANTI-POVERTY AND THE CITIES

By Dr. PHILIP M. HAUSER, Professor of Sociology, University of Chicago

Dimensions of Poverty.—In March 1965 the Bureau of the Census in its Current Population Survey obtained special information for the Social Security Administration and the Office of Economic Opportunity. The data permitted an analysis of the characteristics of the poor and non-poor in the United States on the basis of 1964 income.

In March 1965, of the total population of almost 190 million, 64 per cent resided in Standard Metropolitan Statistical Areas (SMSA's), 31 per cent in central cities, and 33 per cent in suburbia—outside central cities but within the SMSA's. Of the remaining 36 per cent of the people who lived in non-metropolitan areas, 29 per cent lived in non-farm communities and 7 per cent lived on farms.

There was considerable difference in the distribution of white and non-white population which constituted about 12 per cent of the total. Non-whites were more heavily concentrated in SMSA's, 68 per cent compared with 63 per cent; and non-whites were especially more concentrated in central cities, 52 per cent contrasted with 28 per cent. Only 16 per cent of the non-whites resided in suburbia contrasted with 35 per cent of the whites. Non-whites were somewhat more often residents of farms, 8 per cent compared with 7 per cent of the whites; and less often residents of non-farm communities outside SMSA's, 24 per cent compared with 30 per cent.

Of the total population in the nation some 34.3 million persons or some 18 per cent were "poor" according to the index of the Social Security Administration based on a sliding scale which sets \$3200 as the threshold for poverty for a family of four. Of the white population 23.6 million or 14 percent were poor, whereas among non-white 10.6 million or over 47 per cent lived in poverty.

Almost half of all the poor, 48 per cent lived in metropolitan areas, 29 per cent in central cities and about 18 per cent in suburbia. Of the white poor 46 per cent lived in SMSA's; of the non-white poor 53 per cent. But whereas less than one-fourth of the white poor lived in central cities, 24 per cent, over four-tenths of the non-white poor, 42 per cent, were central city residents.

That poverty is primarily concentrated in urban places, as are most of the American people, is further indicated by the fact that only 13 per cent of the poor, both white and non-white, lived on farms. Of the total poor 40 percent were located in non-farm areas outside SMSA's, 42 per cent of the white poor and 35 per cent of the non-white poor.

The distribution of households in the United States closely paralleled that of the total population. Of the 60 million households in 1965, 47.7 million contained families and 12.3 per cent comprised unrelated individuals. Non-white households, having larger average size than whites constituted a smaller proportion of total households, 10.6 per cent, than of the total population. Non-whites made up a somewhat smaller proportion of all households containing families, 9.9 per cent, and a larger proportion of all households containing unrelated individuals 13.6 per cent.

Of the total number of families, 6.8 million, or 14.3 per cent, were poor. There were 4.9 million poor white families, making up 11.4 per cent of all white families. There were a smaller number of poor non-white families, 1.9 million, but they constituted over 40 per cent of all non-white families. Of the total number of households comprising unrelated individuals 43 per cent were poor, 41 per cent of the white, and 59 per cent of the non-white.

Over a fourth of the poor families in the nation (27.6 per cent) and nearly two-fifths of the households of unrelated individuals (38.5 per cent) were resident in central cities. An additional two-fifths of all poor families (41.2 per cent) and over a third of the unrelated individuals (36.0 per cent) resided in non-farm areas outside SMSA's.

Of the non-white poor families over two-fifths (42.8 per cent) as compared with about one-fifth of poor white families (21.9 per cent) were concentrated in

central cities. Well over half of all unrelated non-whites (55.0 per cent) compared with less than two-fifths of the whites (38.5 per cent) were inhabitants of central cities. Non-farm areas outside metropolitan areas contained 36 per cent of the poor non-white and 43 per cent of the poor white families. They also contained 27 per cent of the poor non-white and 38 per cent of the poor white households made up of unrelated individuals.

Although poverty is concentrated in the non-farm areas of the United States, reflecting population distribution, it disproportionately afflicts the farm population. In 1965 only 6.6 per cent of all families resided on farms but 12.9 per cent of the poor families, 13.6 per cent of the whites and 11.0 per cent of the non-whites, lived on farms. As might be expected, 3.0 per cent of all unrelated individuals and only 3.5 per cent of those poor lived on farms. Poverty in non-farm areas, however, has different political implications than poverty in farm areas widely dispersed over the countryside. In urban and other non-farm areas the frustration, alienation and bitterness bred by poverty generates social unrest more readily translatable into hostility and violence as recent national experience testifies.

Within the racial and geographic framework outlined above poverty had disproportionate incidence in other identifiable sub-categories of the population. For example, among unrelated individuals in metropolitan areas, 55 per cent aged 65 and over were poor, 35.9 per cent of the older women and 42.5 per cent of the older men. Among these senior citizens over three-fourths (76.5 per cent) of the non-whites, compared with a little over half (52.7 per cent) of the whites were poor. Among female heads of families about one-third (32.3 per cent) were poor, compared with 7.4 per cent of families with male heads. Among non-white families with female heads almost three-fifths (57.3 per cent) were poor, compared with one-fourth (24.6 per cent) of comparable whites. Among families with female heads with children under 6 over three-fourths (78.5 per cent) of the non-whites, compared with about one-half (51.7 per cent) of the whites were poor.

Within metropolitan areas the concentration of non-white poverty in central cities is readily demonstrable. Of the poor non-white metropolitan families four-fifths were found in central cities (80.7 per cent). Of the poor metropolitan non-white families with female heads 85.9 per cent were residents of central cities and, also, 76.4 per cent of the families with male heads. Of the metropolitan non-white families with female heads and children under 6, 89.1 per cent were concentrated in the central cities, and, also, 77.9 per cent of similar families with male heads.

Other data permit even further pinpointing of the incidence of poverty. Within metropolitan areas specific geographic areas disproportionately contain the poor. This is revealed in the information collected by the Bureau of the Census in March 1966 for the Office of Economic Opportunity. The survey was aimed at families residing in "Poverty Areas" within the 101 SMSA's having 250,000 or more persons in 1960. These SMSA's in 1960 contained 56 per cent of the Negro and 54 per cent of the white population. The central cities in these metropolitan areas contained 45 per cent of all Negroes and 25 per cent of all whites in the nation; and they contained 81 per cent of the Negroes and 46 per cent of the whites resident within these SMSA's.

A "Poverty Area" was determined by the use of a "poverty index" calculated by utilizing five equally weighted "poverty-linked characteristics" for census tracts (small statistical areas within SMSA's).¹

The population resident in these Poverty Areas was disproportionately non-white. Of the 27 million families in these SMSA's 3.2 million or 12 per cent were non-white. Of the total number of families, 4.5 million or 17 per cent resided in the Poverty Areas. Of the white families about one-tenth (11 per cent) lived in the Poverty Areas. In contrast, almost three-fifths (58 per cent) of the non-white families were concentrated in the Poverty Areas.

Not all residents of the Poverty Areas were poor and many of the poor lived outside the Poverty Areas. All told there were 2.8 million poor families in the

¹ These characteristics were: (1) per cent of families with incomes under \$3000 in 1959; (2) per cent of children under 18 not living with both parents; (3) per cent of persons 25 and over with less than 8 years of schooling; (4) per cent of unskilled males (laborers and service workers) in the employed civilian labor force; (5) per cent of housing units dilapidated or lacking some or all plumbing facilities. The Poverty Areas were, in general, the census tracts falling in the lowest quartile which fell into the contiguous groupings adjusted for urban renewal activities since 1960. In all, some 193 Poverty Areas were delineated in the 101 SMSA's; 22 per cent of all the tracts in these SMSA's.

101 SMSA's, 10 per cent of all families. Of these poor families, 1.9 million were white, 8 per cent of all white families; and .9 million were non-white, 28 per cent of all non-white families. Of the poor families, 1.1 million, or 39 per cent, lived in the Poverty Areas. Of the white poor families, 454 thousand or about one-fourth (24 percent) lived in these areas. In contrast, 642 thousand or almost three-fourths (72 percent) of the non-white poor lived in the Poverty Areas. Some 1.4 million white families and 254 thousand non-white fell below the poverty level but did not live in the Poverty Areas.

It is clear, then, that although in these SMSA's, as in the nation, more white than non-white families were poor (1.9 million compared with .9 million), a much larger proportion of the non-whites than of the whites fell below the poverty level (28 compared with 8 per cent). It is clear, also, that poverty in these SMSA's tended to be concentrated in the delineated Poverty Areas, 39 per cent; and much more so for non-whites, 72 per cent, than for whites, 24 per cent.

Anti-poverty programs in the United States, then, have readily identifiable targets. Poverty has the highest incidence among non-whites, households with unrelated individuals especially those with persons 65 and over, and families with female heads especially those with children under 6. Moreover, the population groupings with the highest incidence of poverty tend to be concentrated in SMSA's; within central cities and within Poverty Areas, which are mainly located in the central cities.

Although, as has been indicated, there are more poor whites in the United States than poor Negroes, the discussion which follows will be focused on the problem of the Negro Americans. For it is the Negro American who is at the core of "the urban crisis" and whose growing impatience with present anti-poverty efforts is forcing the Nation to face up to the problem.

The "Why" of Negro Poverty.—It is not difficult to understand why poverty has its highest incidence among Negro Americans concentrated in metropolitan areas and within segregated Poverty Areas. Although by 1910, the Negro had been a resident of what is now the United States for some three centuries, he had not yet entered the mainstream of American life. In 1910 about nine-tenths of the Afro-Americans were still resident in the South and almost three-fourths of them lived in rural areas, on farms or in places having fewer than 2,500 persons. In effect up to 1910 the Blacks lived as an isolated sub-cultural group, highly illiterate, steeped in poverty, and denied participation in white American society.

Afro-Americans have had access to the mainstream of American life, urban and metropolitan America, only since World War I. In half the century between 1910 and 1960, Negro Americans have experienced amazingly rapid urbanization and metropolitanization, and had managed in large measure to leave the South. By 1960 the concentration of Negroes in the South had diminished to 60 per cent and they had become transformed into a people 73 per cent urban, more urban than the white population. Moreover, by 1960, 65 per cent of Negro Americans lived in SMSA's and 51 per cent in the central cities of SMSA's. In the North 93 per cent of all Negroes lived in SMSA's and 79 per cent in their central cities. In the West comparable percentages were 93 and 67 per cent, and in the South 46 per cent and 34 per cent.

The rapid urbanization and metropolitanization of Negro Americans has not been accompanied by equally rapid preparation for the transition from an agrarian way of life, largely in the rural slum South, to urbanism and metropolitanism as a way of life. As recently as 1960, 78 per cent of all Negro adults, those 25 years of age and older, had not completed high school, and 23 per cent were functionally illiterate, had not completed 5 years of schooling. The Negro, entering the mainstream of American life only during World War I and mainly during and after World War II, was not equipped with the basic education and skills to enable him to make a living in the technologically advanced and complex economy which had relatively few opportunities for uneducated and unskilled labor. This stands in marked contrast with the opportunities available to the uneducated and unskilled streams of European immigrants who entered this country prior to World War I. At that time with only unskilled labor to offer, the immigrant could make a living, for this nation was still building railroads, roads, industrial plants and urban infrastructure.

The Negro American, although a resident of this nation for 3½ centuries is, in fact, a newer newcomer to the mainstream of American life than our pre-World War I immigrants; and he has entered a much more advanced and complex economy. Moreover, the Negro American, unlike white immigrants, has

been confronted with bigotry and racist doctrines which have not only denied him equality of opportunity but, also, adversely affected his self-image and his incentive and motivation. Finally, it must be noted that the Negro community, by reason of its segregation and adverse accompanying conditions, experiences higher incidences of family disorganization, families with female heads, larger numbers of children, children living without both parents, males economically and socially emasculated and, in general, higher incidences of personal and social pathology, all of which are associated with and contribute to the high incidence of poverty.

Implications for Anti-Poverty Programs.—In general, two broad categories of persons can be distinguished among the poor. One category comprises those persons who for a variety of reasons have fallen by the wayside in their efforts to make their way in our competitive order. The reasons include chronic or acute physical or mental disabilities; families broken by death, divorce, separation or desertion; and similar personal, familial or community misfortunes. The second category includes millions of persons who cannot be described as having fallen by the wayside. They are made up disproportionately of minority groups, not only Afro-Americans but, also, Mexican Americans, Puerto Ricans, American Indians, and Appalachian whites, "hillbillies." These people cannot be described as having fallen by the wayside. They have never had the opportunity to get under way. They have been denied equality of access to the American economy and to American society.

Prior efforts to deal with poverty in this nation, as in other countries, have included the establishment of the social security and welfare systems. These programs have made it possible for the vast majority of our citizens to earn "rights" to income maintenance in old age, or under conditions of disability, and to receive aid under specified conditions of need. The tragic fact is, however, that a disproportionate number of present welfare clients are not persons who have fallen by the wayside but are, rather, persons who have never had the opportunity to get under way. A number of the present anti-poverty programs such as Head Start and the other educational and job training programs recognize this fact.

Poverty in the United States cannot, therefore, be eliminated through revision of the social security and welfare systems. What is needed to eliminate poverty is what might be termed an "equal opportunity program." Such a program can be visualized as consisting of two parts: short-run and long-run.

The short-run anti-poverty program must consist of two elements for Negro-Americans and for all of our minority groups subject to prejudice. The first is provision for income flow—preferably for work performed under conditions of human dignity on jobs suitable to their present educational and skill levels. The second is provision for symbols of acceptance—to overcome prevalent doctrines of racism and bigotry.

To provide income flow two programs are needed. One is a program to provide employment to absorb the "hard-core" unemployed. This requires considerable increase in the allocation of public funds aimed at this objective. Priority should be given to the increase of employment in the private sector, as is now being done in the program headed by Henry Ford II. But, there can be no doubt, that after the private sector has absorbed all of the hard-core unemployed it can, there will remain substantial numbers of Afro-Americans and members of other minority groups, still unemployed. For such persons the government, through, in effect, an extension of the Employment Act of 1946, should become "the employer of last resort" as advocated by the Urban Coalition. Even in such programs the government could operate through private industry but, unless adequate resources are allocated for public services with explicit provision for labor intensive programs, the hard-core unemployed are not likely to be employed. The list of additional public services needed by the American people is long enough to be quite adequate for the purpose. It includes, among many things, more adequate roads, expressways, and airports; schools; recreational facilities; hospitals and other medical facilities; improved postal service; and air and water anti-pollution programs.

The absorption of the hard-core unemployed would not, of course, resolve the income flow problem of the families without workers, especially those with female heads and young children. For such families adequate income flow should be provided through a system of family allowances, or, perhaps, the negative income tax.

Income flow is, in general, the major cure for poverty, especially white poverty. But for Black poverty income flow is not enough. Subjected to 3½ centuries of white racism Blacks require, in addition to income flow, symbols of acceptance. Most important among such symbols have become national policies of open housing and integrated schools.

These short-run measures would go a long way toward the elimination of poverty and, also, toward the alleviation of present interracial tensions. But they would not constitute adequate long-run anti-poverty programs. For the long run there must be a great increase in investment in education so that every child, white as well as black, has the opportunity for effective schooling. Every child must be given the opportunity to acquire the basic skills, the saleable skills and the citizenship skills to enable him to assume the responsibilities and obligations, as well as the rights, of American citizenship. Without such an increased investment in human resources the present poverty situation may be indefinitely recycled from generation to generation. Without adequate investment in education other anti-poverty programs would be the equivalent of attempting to mop up the floor before the faucets are turned off.

The elimination of poverty in the United States, then, consists in large measure of providing equality of opportunity to millions of Americans who, hitherto, have been denied equal access to the American economy and society. A number of the present anti-poverty programs recognize this fact, but the resources allocated thus far to fight poverty, both in moneys and symbols of acceptance, fall far short of the mark. In no urban community in the United States have the resources allocated to combat poverty reached a level of critical mass so as to have major impact. Dribbles of anti-poverty resources which fail to achieve critical mass may be much more expensive in the long run than short run expenditures large enough to have significant effect. The United States has not yet been willing or able to face up to the magnitude of the effort required to eliminate poverty and, thus, to deal with the "urban problem" or, more accurately, the Afro-American Revolt.

A blueprint for the elimination of Black poverty is now available in the recently released Report of the National Advisory Commission on Civil Disorders. It has been estimated that the implementation of the recommendations in this report would require annual expenditures of over \$30 billion.

Concluding Observation.—1. There is competent economic judgment that holds that we can afford to eliminate poverty, even if we continue to be caught in the Vietnam hostilities. One point that can be made is that our annual increase in GNP, in constant dollars, is by itself quite adequate to do the job. In any case, it is absurd to argue that we cannot afford to resolve the urban crisis, because we shall be increasing our expenditures whether we think we can afford it or not. It is certain that public expenditures to deal with the problem of poverty and its consequences will greatly increase. The only uncertainty that remains is that about which of three channels the increased expenditures will take. One is the channel of increased investment in human resources—adequate income flow, housing and education. The second is the channel of increased expenditures for security—police, national guard, army, and concentration camps. The third is the channel of increased expenditures for rebuilding what may become an increasingly larger riot-devastated urban and metropolitan America.

The American people are at an historic crossroads. But we no longer have the choice of continuing the present relatively low levels of taxation and public expenditure in respect of poverty and especially Afro-American poverty. We have only the choice of choosing from among three alternatives—investing in human resources, creating an "apartheid" society, or rebuilding riot-destroyed cities.

APPENDIX 10

ELIMINATING THE PURCHASING POWER GAP THROUGH TWO-FACTOR THEORY AND THE SECOND INCOME PLAN

By LOUIS O. KELSO and PATRICIA HETTER, San Francisco, California

At the personal level, virtually every economic problem can be stated in terms of lack of purchasing power, superficially solvable by income additions of smaller or greater size. Thus, to those who view the economy of the United States as "affluent," poverty is merely the result of failure to "maintain" adequate income for the poor.

A variety of plans to repair this apparent "cause" of poverty have been proposed and tried over the years: poor relief laws, welfare payments by local and state governments, with and without Federal assistance, direct distribution of food and other commodities, food stamps, rent subsidies, education subsidies, governmentally subsidized jobs of various kinds, minimum wage laws, laws limiting the work week, laws regulating overtime payments, laws permitting labor to avoid the competitive determination of the value of labor, laws fixing minimum wages and maximum hours for work on government contracts, laws subsidizing agricultural production, shipping, ship-building, mining and various kinds of manufacturing; aid to the blind, aid to the aged, aid to the medically indigent, aid to families with dependent children, etc. etc.

With all the ingenious methods for redistributing income to those who would otherwise have less of it, or none at all, the prosperity of the American economy for nine-tenths of its inhabitants is limited, or illusory. The United States is more prosperous than other economies *with which it is not comparable*. It clearly cannot meet the test of functional prosperity, for it is constantly characterized on one hand by the physical capability of expanding its production of humanly useful goods and services many times over, and on the other by the very real poverty of the overwhelming majority of the population who live in varying states of physical deprivation. Our principal industries—the ones that produce the great bulk of consumer goods and services and the capital goods required therefor, can easily increase their output 20% to 30% per year for a sustained period of time, until we achieve general (as distinguished from our present pinnacle) affluence, i.e., until those at the bottom and in the middle enjoy the standard of living of those at the top income level of the economy. But the economy, the Gross National Product, actually expands less than 3% per year. Qualitatively, even this "growth" is illusory, being often achieved through excessive production of military overkill goods that do not, to say the least, eradicate personal poverty.

Because an accelerated rate of increase in the output of consumer-useful goods and services is crucial to the elimination of poverty, further comment on the possibility of such an increased rate of output in the principal industries in the United States economy, in response to adequate consumer demand, is here relevant. In 1964, R. Buckminster Fuller said: "We are using our machines at only about four percent of efficiency, counting waste, misuse, off time and down time. All we would have to do to bring the entire world up to a wealthy standard of existence is to get that efficiency up to about 12 percent—which is well below the 15 percent efficiency possible even with the reciprocating engine."¹

Mr. Fuller was thinking in the physical terms natural to the engineer and physical scientist without concerning himself with income distribution, production motivation, or organization of the economy. Nevertheless, goods and services are physical things; their production and distribution are physical processes and they ultimately minister to physical human need. So it is of great and basic significance that it is *physically* possible to multiply many times over the production of physical goods and services to meet human need.

¹ "The Large-Sized Thoughts of Buckminster Fuller," by George Clark, "Think," September-October 1964, p. 9.

Functionally, "affluence" is simply an abundant supply of useful goods and services which minister to the creature comfort of individual human beings. But "affluence" as measured by national income statistics is something else again. These statistics are constructed on the basis of costs of all goods and services produced within the economy in a given time period. They lump together indifferently the goods and services which come into existence in response to market demand by individuals for consumption, and goods and services which come into existence through our governmental full employment policy, which often add little or nothing to human comfort and may even be specifically designed for human discomfort.

Our national income statistics even include the costs represented by the dozens of varieties of subsidies for not producing useful goods and services. For example, subsidies paid for non-production of agricultural commodities; payments for work not performed ("featherbedding," "make-work," "spread-work") and so on. These same statistics also measure welfare-push inflation which results from the systematic packing of the wage-base with welfare verbally disguised as the "rising productivity of labor," but constituting in fact a special form of welfare built into the wage base by collective bargaining and taxed to the consuming public through the price mechanism. For example, a \$4,000 house built in the early 1940's can only be compared today with one in the \$40,000 range, and in many respects, including the durability of materials, the size of rooms, the handcrafting of amenities, the house built today is inferior to its 1940 counterpart. Recently a consumer article warned prospective home-buyers to look under the wall-to-wall carpets to make sure that their new home included a floor. It went on to explain that since a plywood understructure now meets FHA mortgage standards, some builders were omitting the hard or even softwood floor that was a standard feature in even houses of a few years ago.

Thus, the statement that the principal industries of our economy could increase their output of useful consumer goods and services, and the capital goods required therefor, at rates of 20% to 30% a year over a sustained period, making easily possible, we believe, an annual rate of effective increase in humanly-useful net national production of goods and services of at least 15%, is an estimate which should be construed as relating to a functional increase in available affluence that would take the form of increasing the production of humanly *useful* goods and services absolutely, as well as in lieu of humanly *useless* goods and services. It would include also the qualitative increase in affluence arising from declining prices which would inevitably result once two-factor theory became recognized in national economic policy and Second Income Plan techniques were broadly and widely employed in producing and distributing wealth.

We cite as further evidence the following :

(1) Existing production facilities are generally operated at only 80-85% of capacity *when operating* ;

(2) If consumer demand warranted and trained manpower were not systematically wasted on non-economic production and non-production, production facilities could be run for two or three shifts instead of one or two, with substantial cost savings in most cases ; and

(3) Our physical scientists, engineers and technicians tell us that the production of useful goods and services is relatively easy, a truth evidenced not only by a persistent tendency towards the production of surpluses throughout the economy, but also by the frantic efforts of competitors to pre-empt scarce consumer dollars for their own products, a phenomenon reflected in the high cost of selling, as measured in outlays for salesmen, sales promotion, advertising, expensive packaging, etc.

Our conclusion that an annual rate of increase in personal affluence in the U.S. economy of 15% or more on a sustained basis cannot be directly supported by reference to the national income statistics for the simple reason that these statistics are designed for a two-factor economy operated on one-factor concepts. National income statistics are not designed to reflect increases in the quality of life (or decreases, for that matter), but merely to report increases in the quantity of costs, some of which are relevant to the poverty-affluence problem and some of which are not. The question of what and how much the economy can produce, provided the income distribution problem can be solved in a manner consistent with our traditional input-outtake morality and the double-entry bookkeeping logic of our economy, is a question for business management, labor union policy, and experts in technology. Our interviews with

top executives in a wide spectrum of companies and industries leave us with no doubt about the answer.

Why is it that basic industry and agriculture which could grow by leaps and bounds, year after year barely creep ahead? Here is the old familiar hang-up: the people with the unsatisfied needs and wants do not have sufficient purchasing power to buy the goods and services that would satisfy those needs and wants. And the people with excess purchasing power—the top five percent or so—have no unsatisfied needs and wants.

Into this "war on poverty" it is now proposed that we introduce some new super-weapons: the "guaranteed annual income," paid through a "negative income tax" (i.e., a positive income dole), and a relatively new import from other even more poverty stricken parts of the world, the family allowance, or a dole geared to, and thus encouraging increases in, the number of children in the family. A third new super-weapon that many leading citizens and politicians, and, if we are to believe a recent public opinion poll, even a majority of the citizenry may favor, is simply a more massive dose of an expedient that has been tried and uniformly found wanting many times in the past: governmentally subsidized and "created" jobs. "Government as the employer of last resort" is the new name given to this old and discredited device that in practice often means that "War is the employer of last resort."

We shall not, in this writing, undertake to argue the negative case against doles and synthesized jobs. That has been argued often and well elsewhere by others and by ourselves. We are convinced that those who would seek solutions to our major political and economic problem—the problem of matching unsatisfied needs and wants with legitimately acquired purchasing power—through programs of doles and "created jobs" do so out of a combination of social concern and desperation borne of belief that no better alternative exist.

But a better alternative does exist, and this is the subject of our paper. In advancing this alternative, we do not wish to be understood as frowning upon the use, where necessary, of redistributive expedients during the interval (not more than a brief span of years—we believe) in order to expedite the transition to a sound and self-sustaining economy and to ameliorate personal hardships. On the other hand, as we will emphasize later, the vigorous employment of the Second Income Plan will quickly initiate a period of two or three decades of legitimate and intense full employment, so that the need for such expedients will be tempered.

We make the following assumptions upon which there is, we believe, sufficient general agreement to warrant omission of the proof of their validity, although we believe each of them eminently supportable.

(1) The economy of the United States is *physically capable* of providing *general affluence* (defined hereinafter) for the citizens and residents of this country. We have (or through commercial channels have access to) adequate resources, productive knowhow, and trained or trainable manpower to produce the quantities and varieties of humanly useful goods and services to provide an affluent standard of living for all. Every significant firm and every industry is *physically capable* within a few years of expanding its production to meet any currently imaginable level of output that might be required to provide every family and individual in the economy with a genuinely affluent level of goods and services, provided only that the consumers have the purchasing power to purchase those goods and services. The present economy is clearly not producing at a level even distantly approaching general affluence, but its productive capacity could be expanded by an increment—which we will call the *Second Economy*—capable of that high-level production. Nothing would please all those whose contributions are necessary to such high-level output—the labor force, management, the owners of resources, the scientists, technicians and engineers—than to have the opportunity, through the possession of adequate purchasing power on the part of those with unsatisfied needs and wants, to expand their economic output to a level equivalent to general affluence.

(2) A market economy automatically generates an amount of purchasing power equivalent to the market value of the goods and services it produces in any given time span. "For every dollar spent in production, someone gets a buck." This is irrefutably true as long as our business and fiscal systems are constructed in accordance with the logic of double-entry bookkeeping. It may be illustrated thus:

<p>Net National Payments (Net National Product) for a given time period, computed by aggregating costs of production of all goods and services produced with a market economy, and deducting depreciation and amortization of capital instruments.</p>	<p>EQUALS =</p>	<p>Aggregate Income automatically arising out of the process of production and available to the individuals who participate in production except to the extent their arbitrary institutional arrangements, private and governmental, intercept or divert such income.</p>
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(3) But there is a vast difference between a market economy's generating sufficient purchasing power *in the aggregate* to enable the recipients to purchase all goods and services thus produced for the market, and its generating sufficient purchasing power *in the hands of those with unsatisfied consumer needs and desires who will use the purchasing power to satisfy those consumer needs and desires*. Outtake from the economy in the form of purchasing power, in a private property economy which we morally want and try to pretend that we have, must be based upon productive input, with the value of the productive input being measured by market forces under workably free competition. *Only a market economy in which the consumer needs and desires of all are matched with adequate productive capacity can be a generally affluent economy.*

(4) The historically conspicuous shortcoming of all market economies, criticized and lamented in one form or another by political scientists, theologians, economists, politicians, labor leaders, revolutionaries, educators, and the populace generally for a century and a half, is that they are never *institutionally designed* to consume and enjoy what they desire to produce and can produce. In an economy as technologically advanced and rich in resources as the United States, an economy unquestionably having the capacity and potential capacity to produce general affluence, only a small minority—at most the top ten percent—have the capacity to consume and enjoy an affluent level of goods and services. Clearly, therefore, the problem of poverty, at least for the United States and for most of the resource-rich economies of the world who can buy technological knowhow if they do not possess it, lies neither in their physical inability to produce general affluence nor in their lack of zeal to do so, but in the institutional arrangements which fail to match, family by family, consumer by consumer, the need and desire to consume with the economic power to produce at the desired economic level. Specifically, if it requires an income of \$15,000 a year for a family of four to live even a slightly affluent life, some members of that family must have the power and capacity—evaluated by competitive market forces—to produce \$15,000 worth of goods and services or to make a productive contribution to the economy of that value.

It is the thesis of this paper that our inability to find the answer to this dilemma up to this point in history is primarily and indeed almost entirely due to a deficiency in our theory of how wealth is produced; that all of the significant schools of economic thought down to date suffer from the same theoretical deficiency, and that by substituting sound theory for false, a not impossible step, we can readily make the relatively minor changes in our business and governmental institutional arrangements to enable us each to produce and enjoy an affluent level of income and the economically comfortable lives that this would make possible. The world so far has had its economies structured on the idea, explicit in the case of the Socialist and Communist countries and implicit in all other economies, that only one factor—labor—is the producer of wealth or economic value. While our business institutions and our governmental institutions that have to do with economic structure are built or designed in accordance with one-factor concepts, the real productive world does in fact employ two productive agents. We live in a two-factor world, but we operate our economies on one-factor thinking.

Let us define affluence as the standard of living enjoyed by the top 10% of income recipients. To produce that level of affluence for all families would require that our existing productive facilities be expanded many times over. To the extent that resources, manpower, and know how are available (whether from within or from without) to build a Second Economy within a reasonable time—say ten to twenty

years—general affluence, i.e., affluence for all households in the United States, is a proper economic goal.

A definitive positioning of two-factor economic theory in the world of economic thought would be beyond the limits of this paper. The orientation that follows is necessarily brief.

The Classical (i.e., nonsocialist) economists asserted and still assert, that if the government will keep its hands off interest rates and wage policies, the “unseen hand” of the free market will automatically put the economy in equilibrium at full employment and prosperity. The Classicists are one-factor thinkers.

The Socialist (i.e., the Marxist) economists contend that the Classicists are wrong: that full employment and its resultant prosperity are achievable only if private property in capital is eliminated and state ownership “for the benefit of the whole society” is substituted. The Marxists are explicit and vehement one-factor theorists.

The Keynesians disagree with both schools of thought; they insist that full employment can best be achieved by increasing, to whatever extent may be necessary, aggregate consumer demand through deficit financing, measures designed to raise wages above their free market level, and virtually any kind of government-sponsored redistributive measures for adding purchasing power to the workers and the unemployed.

Two-Factor Theory, or the theory of a private property economy, or the theory of general affluence (each of these is a proper name for it), denies both the validity and the adequacy of the goal to which all three of these principal schools are committed: the goal of prosperity solely through full employment. It holds that full employment as such is a false—indeed a perilous—goal for an advanced industrial economy, and that even if “full toil for all forever” could be achieved outside a totalitarian state, it would prove itself *inadequate* as a means for achieving general affluence.

Full employment ideology draws its ethical support from the so-called Puritan ethic. Its tacit assumption is that one ought to contribute to production as a prerequisite for receiving a distributive share. The premise is sound. However, full employment thinking then makes an untenable leap. It erroneously assumes that the only way for human beings to contribute to production is through their labor. It overlooks the nonhuman factor of production, capital. It fails to recognize that capital produces wealth in precisely the same sense as labor: that capital is producing a major portion of our total goods and services now and that capital, as technology continues to progress, will produce an ever-greater proportion in the future.

Two-factor theory repudiates the economic objective of maximum output of goods and services with maximum employment. Its goal is optimum output of goods and services with minimum toil, *but with universal participation in production*. One may participate either through one's personal toil, one's personal ownership of an equity in productive capital, or through both, as the state of technology and the desired general living standard may require.

Summary of Two-Factor Theory.—At this juncture, a definition may be in order. The political institution of universal suffrage has never in history had an economic counterpart. Consequently, the ideals of political democracy have never been grounded upon a firm economic base. Defective economic institutions actively subvert and undermine the ideals of political democracy and constitutional government. Our own time has provided us with several horrifying demonstrations of what can happen to freedom in an economic environment hostile to it. Our Western political heritage has no chance of survival in a nation, or in a world, where capital is the chief source of the affluence everyone seeks, but where the majority owns no productive property.

The basic elements of the two-factor theory may be summarized under the general engineering concepts of input and outtake. On the input side of the equation is production.

Wealth is produced by two agents or factors. One is the human. It includes labor in all of its forms—intellectual and managerial as well as manual. The other is nonhuman. It includes productive capital in all of its forms—land, structures and machines. Each factor produces wealth in exactly the same physical, economic, political and moral sense. That assertion is the reverse of the prevailing view that the function of capital is somehow mysteriously to raise of labor to the same.

Distribution of the wealth produced by an economy corresponds to outtake. Logically, there are only two patterns of distribution possible:

One is input oriented.—It allocates the outtake or personal income from each productive process on the basis of productive input. This is the principle of private property. It is the distributive principle of a private property or universal capitalist economy structured upon two-factor theory. It is dictated by the logic of double-entry bookkeeping.

The other is noninput oriented.—It is based not upon productive input, but upon the need of the recipient, as determined by central authority. This is the principle of *economic communism*.

It may be of incidental interest, since many people toy with the idea of socialism, to note that the distributive principle of socialism is also an input-oriented principle. The difference between socialism and two-factor theory or universal capitalism in this respect lies only in the interpretation of the facts. Universal capitalism holds that there are two factors of production: the human and the nonhuman. Socialism maintains, as a matter of dogma, that there is only one: the human, i.e., labor. The absurdity of the socialist position, while perhaps not so easily discernible in the primitive industrial economy, becomes increasingly obvious as technology shifts progressively more of the burden of production onto capital instruments.

A FUNCTIONAL DEFINITION OF PRIVATE PROPERTY

Private property, as applied to the factors of production, means that the owner of each factor is entitled to all the wealth or net income that the thing owned produces. If the concept is to have objective validity, of course, the value of productive input by either factor must be determined in reasonably free and competitive markets.

Thus, under private property, the worker is entitled to the value of wealth his labor produces, and the owner of capital is entitled to the value of wealth his capital produces (value in each case being determined under conditions of workably competitive markets). *Private property, we may therefore conclude, functions in economic affairs precisely like circuitry in electronics: directly to connect productive input and distribute outtake.*

In a free market economy structured upon the logic and morality of double-entry bookkeeping, for any given time span, the market value of the goods and services produced is equal to the purchasing power created out of the process of production. This means that aggregate purchasing power is always adequate in quantity to remove all goods and services from the market. But this fact does not mean that the purchasing power, potentially sufficient in the aggregate, will be used for this purpose.

Those with consumer needs and desires in excess of their purchasing power can clearly not satisfy them.

Those with purchasing power in excess of their consumer needs have no choice but to invest the excess in capital goods and thus further increase their *excess* purchasing power.

There are but two ways to correct this imbalance, which in popular parlance we know as poverty, on the one hand, and concentration of wealth, on the other:

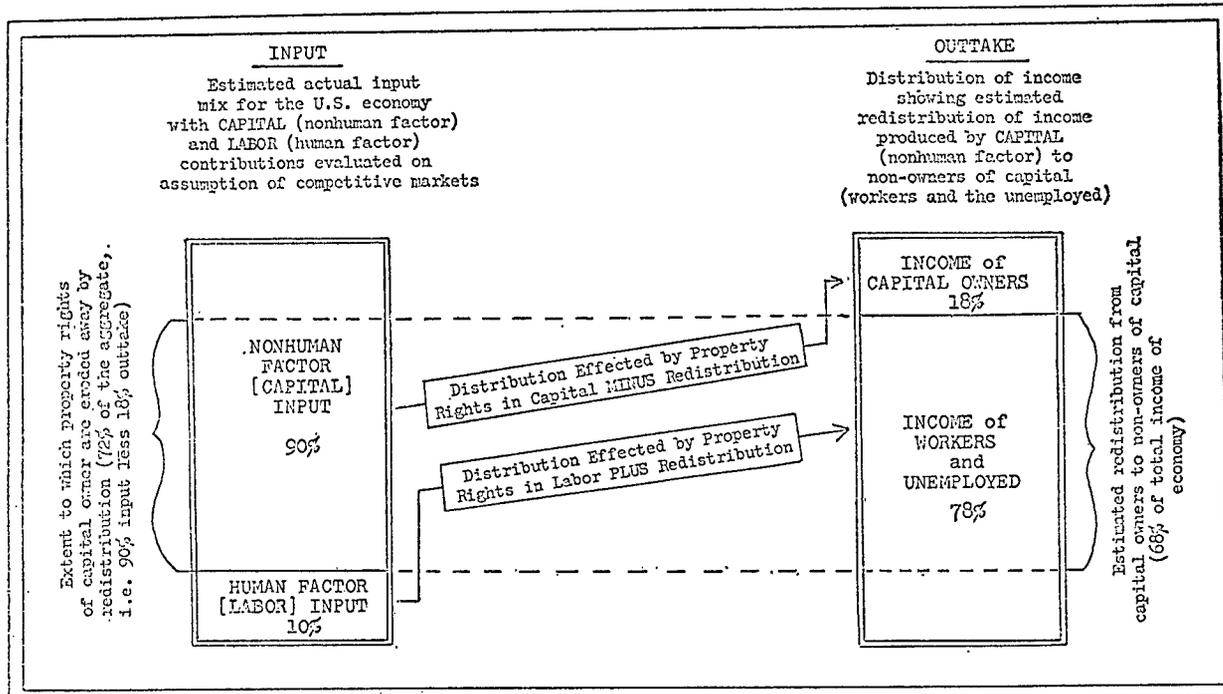
Alternative I

Redistribution of purchasing power from those who produce more, or have more than enough, to those who have less than enough. This is done in accordance with "need" as determined by central authority. Redistribution is the principal means employed in the United States economy, and the principal cause of its social strife. It is, by definition, destructive of private property. It is the corrective method of economic communism. Distribution on the basis of need is the principle employed in all anti-poverty programs based on doles or governmentally "created" jobs.

Alternative II

Institutional changes which facilitate the building of the productive power of those households and individuals which are insufficiently productive, in order to enable them to produce enough income to satisfy their reasonable needs and desires. This method has yet to be employed as national policy in any economy. It is a method designed to protect existing private property, highly concentrated though it may be, and to build a Second Economy owned in reasonable-sized holdings by the great majority of households, who own no productive capital in the existing economy. *This is the corrective method of the Second Income Plan.*

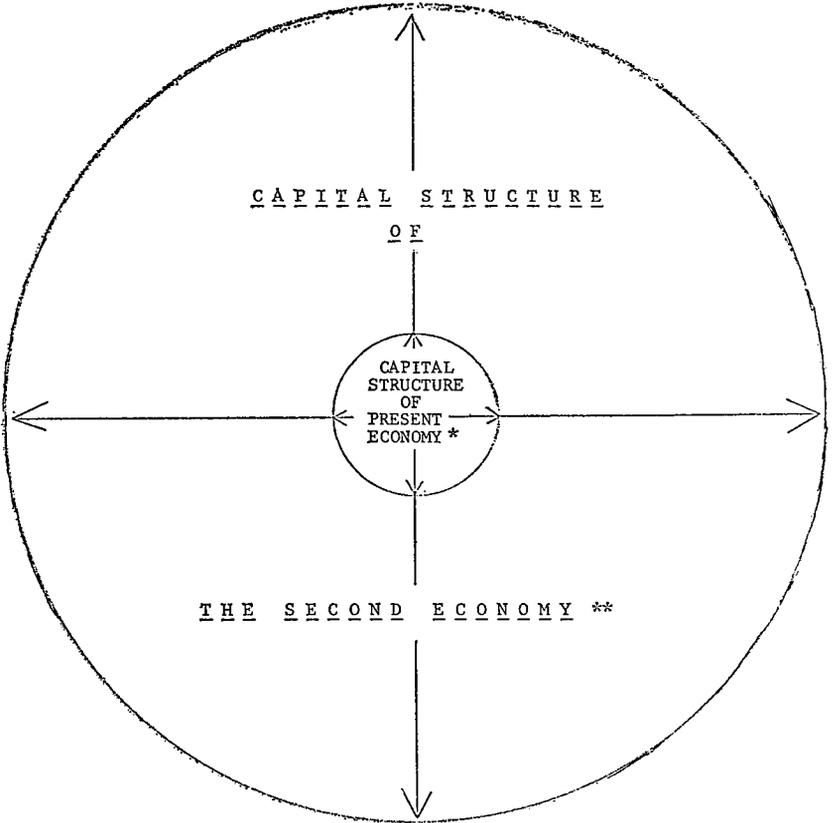
THE VIOLATION OF PRIVATE PROPERTY
 IN THE NON-HUMAN (CAPITAL) FACTOR OF PRODUCTION REQUIRED IN A TWO-FACTOR REAL WORLD
 TO MAKE A ONE-FACTOR DISTRIBUTIVE CONCEPT FUNCTION — HOWEVER POORLY



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Thus, the object of the program for industry and business which we urge can best be illustrated in the following manner:

Let the small circle below represent the capital structure of the present economy of the United States, and let the larger circle surrounding it represent a second economy, to be built through expansion several times over of the present one.



* Representing the capital structure of the present economy, owned by the wealthiest 5%, the ownership of which must be protected and preserved.

** Representing an expanded economy to be so financed that it will become owned, in reasonable-sized and diversified equity holdings, by the 95% of families and individuals who own no part of the present economy's productive capital.

Poverty in the private property economy can be corrected only by measures designed to enable the "poor" households to become more productive. i.e., to produce more goods and services, or to contribute more towards production. To put it another way, the private property route to general affluence (as distinguished from the pinnacle affluence that characterizes Western industrial economies today) is to enable the citizens to produce goods and services for each other, and to enable them to trade with each other, rather than to follow the prevailing expedients under which they give to each other under government duress or take from each other with government assistance.

The Nature of Technology. Essential to an understanding of the private property economy is an appreciation of the nature of technology. Technology is a process by which man harnesses nature *through his capital instruments* and makes her work for him. It is a process by which the productiveness of the

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

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

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

For the past 100 years or more, output per manhour has been increasing about 2½% per year. If we understand that this yearly increase is the result of better and more numerous capital instruments, it is clear that today the great bulk of wealth is produced—as our eyes tell us it is—by capital: the figure is 90% or more.

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

A financing footnote

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

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

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

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

That which is inherently nonfinanceable is financed.

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

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

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

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

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

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

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

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

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

Those relating to the conduct of the corporation;

Those relating to financing capital ownership for corporate employees;

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

GENERAL CHANGES PROPOSED IN FEDERAL AND STATE TAX POLICY

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

PROPOSED REFORMS RELATIVE TO THE CONDUCT OF THE CORPORATION

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

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

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

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

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

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

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

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

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

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

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

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

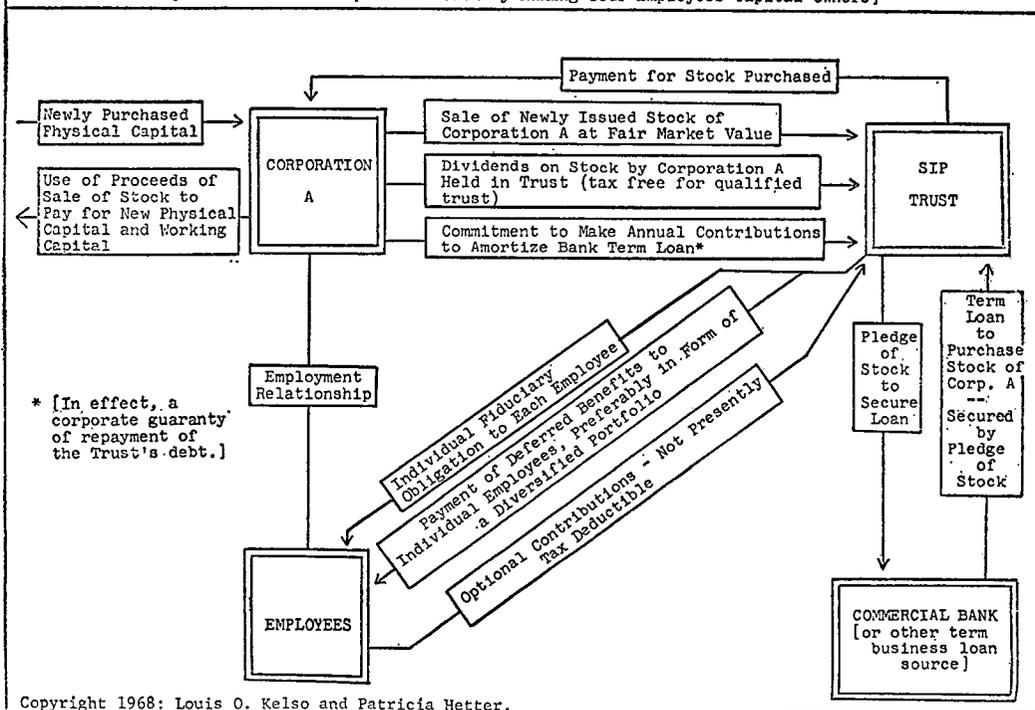
In the traditional business financing pattern, existing capital is put at risk to insure against two contingencies: (1) that the newly formed capital may not pay for itself within a reasonable time, and (2) that even if it does throw off sufficient income to cover its formation costs, the income may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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

DIAGRAM II

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

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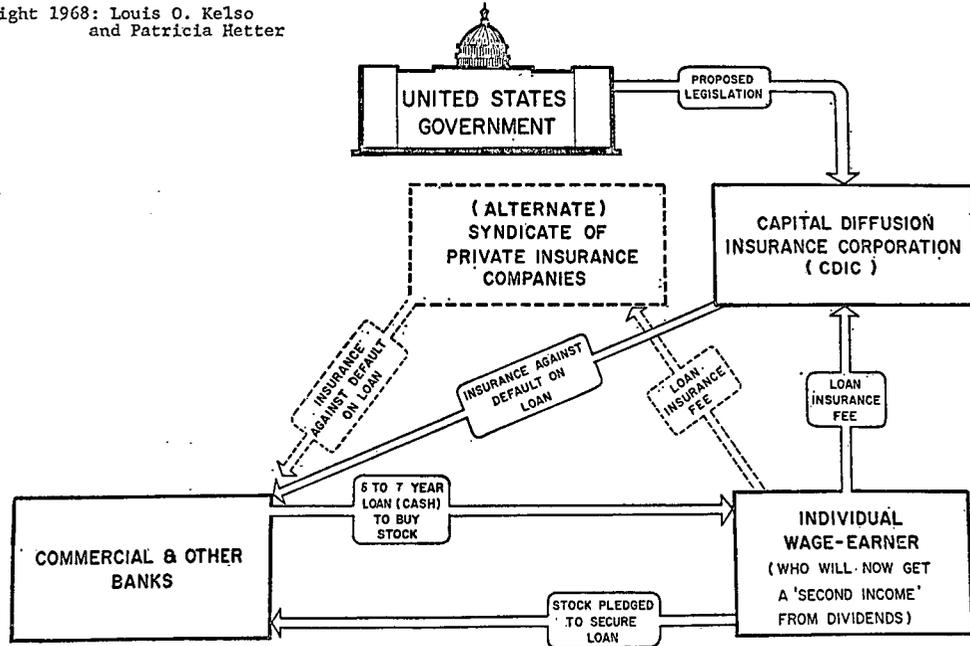
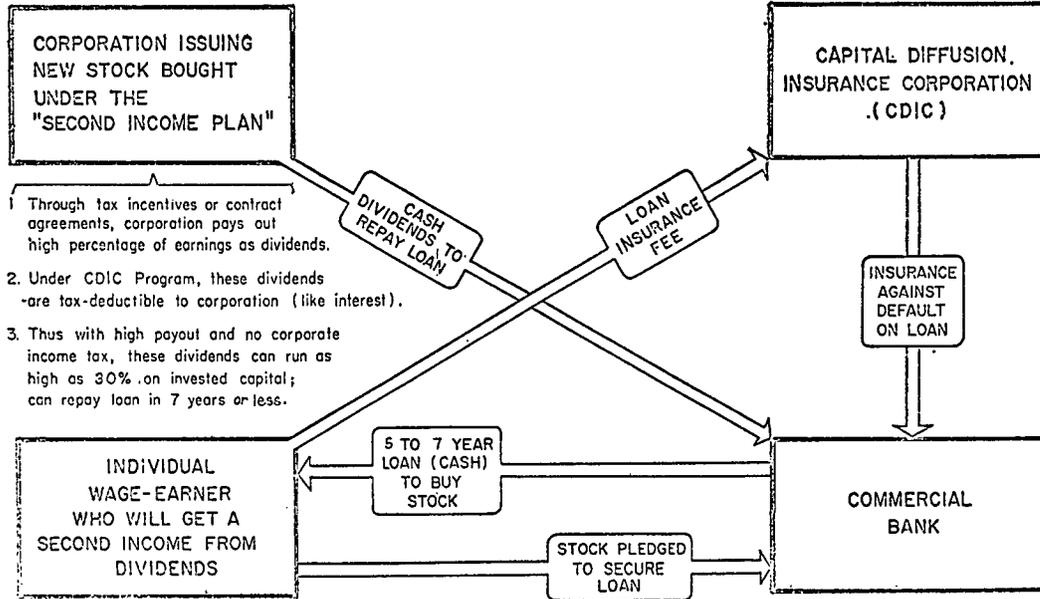


DIAGRAM III

How stocks pay for themselves under the Second Income Plan.

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

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

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

PROTECTION OF THE ECONOMY FROM IMPORT COMPETITION

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

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

One that will stand up under scientific and engineering analysis.

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

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

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

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

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

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

FULL EMPLOYMENT THROUGH THE SECOND INCOME PLAN

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

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

A PRACTICAL COMMENTARY ON THE CDIC INSURANCE PROGRAM

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

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

UNIFYING POWER OF THE SECOND INCOME PLAN

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

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

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

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

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

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

Summary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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APPENDIX 11

OWNERSHIP AND INCOME*

INTRODUCTION

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

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

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

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

CAPITAL, LABOR AND INCOME IN THE UNITED STATES

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

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

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

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

DISORDERS IN THE AMERICAN ECONOMY

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

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

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

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

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

OWNERSHIP TO ALLEVIATE POVERTY

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

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

HUMAN RIGHTS AND PROPERTY

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

PAPAL TEACHINGS ON PROPERTY RIGHTS

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

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

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

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

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

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

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

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

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

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

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

WHO SHALL OWN THE LAND?

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

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

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

STEPS TOWARD WIDESPREAD OWNERSHIP

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

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

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

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

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

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

OWNERSHIP IN DEVELOPING COUNTRIES

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

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

OWNERSHIP IN COMMUNIST COUNTRIES

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

CONCLUSIONS

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

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

APPENDIX 12

STATEMENT OF THE NATIONAL ASSOCIATION OF MANUFACTURERS

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

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

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

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

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

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

PRESENT WELFARE SYSTEM

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

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

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

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

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

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

INCOME GUARANTEES AND THE INCOME TAX ANALOGY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GUARANTEED INCOME AS WELFARE

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

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

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

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

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

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

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

SUMMARY

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

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

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

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

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

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

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

1. It should increase work incentives for the low-skilled and the young but avoid lowering work incentives of the present labor force—particularly those just above the poverty level.

2. It should be designed to phase out dependency, as well as poverty, in a manner that will not create, or increase, antagonism against the recipient of aid.

3. It should avoid increases in cost that would add to the "overkill" of existing tax burdens.

4. It should not lead to the disemployment of marginal workers because of increases in labor costs.

5. The needs of different groups of welfare recipients should be recognized and some should not be left worse off than before.

6. The giving of assistance should be related in some way to the cause of poverty, as well as to its fact.

7. The present tax system, with its remarkable record of compliance on a self-assessment basis, should not be interfered with as a means of improving the welfare system, nor should welfare legislation preclude changes in tax legislation.

APPENDIX 13

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

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

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

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

WELFARE HISTORIES

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

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

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

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

WELFARE EXPECTANCIES

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

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

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

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

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

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

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

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

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

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

WELFARE ATTITUDES

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

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

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

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

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

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

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

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

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

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

RECEIPT OF SERVICES

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

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

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

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

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

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

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

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

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

KNOWLEDGE OF AVAILABLE SERVICES

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

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

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

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

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

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

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

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

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

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

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

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

WILLINGNESS TO ASK FOR SERVICES

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

[In percent]

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

ATTITUDES TOWARD ELIGIBILITY INVESTIGATION

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

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

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

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

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

PERCEPTIONS OF THE DEPARTMENT OF WELFARE

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

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

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

* * * * *

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

APPENDIX 14

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

GUARANTEED INCOME

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

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

INTEREST OF THE AMERICAN JEWISH CONGRESS

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

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

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

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

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

INADEQUACIES OF OUR PRESENT SYSTEM

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

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

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

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

INCOME MAINTENANCE JUST A PART OF A MULTIPRONGED ATTACK ON POVERTY

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

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

CRITERIA FOR INCOME MAINTENANCE PROGRAM

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

1. Payments should be available to all in need throughout the nation as a matter of right. Need should be objectively and uniformly measured throughout the country in terms of the size and composition of the family unit, its income and other economic resources. Simplified declarations of income or lack thereof should be all that is required, with spot checking used to prevent fraud as is now done under the Federal income tax laws.

2. The plan should be adequate to maintain health and human dignity.

3. The plan should be responsive to cost of living differentials throughout the country and permit adjustments to changes in living costs.

4. The plan should be developed and administered in a manner which will encourage healthy family life, respect privacy and the needs and rights of individuals to manage their own lives so long as they do not infringe upon the rights of others, increase the independence and the individuality of recipients, and enable recipients to participate in community life.

5. The plan should be designed to encourage productive activity on the part of recipients, providing incentives to beneficiaries to take vocational training and accept employment where it is appropriate.

6. Individuals should have a clear right to administrative and judicial review of agency actions withholding assistance.

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

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

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

APPENDIX 15

POLICY STATEMENT ON POVERTY, JOBS AND INCOME

FRIENDS COMMITTEE ON NATIONAL LEGISLATION*

POVERTY IN THE UNITED STATES

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

POVERTY CAN AND MUST BE ELIMINATED

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

SOME GENERAL PRINCIPLES WHICH ARE APPLICABLE

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

GOALS FOR A RESPONSIBLE SOCIETY

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

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

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

*Statement submitted by E. Raymond Wilson, Executive Secretary Emeritus.

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

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

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

NEED FOR AN IMPROVED SYSTEM OF INCOME SUPPLEMENTS

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

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

CRITERIA FOR AN EFFECTIVE PROGRAM

A program of income supplements should meet the following criteria :

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

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

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

SOME OTHER EXAMPLES OF INCOME TRANSFER PAYMENTS

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

INCOME SUPPLEMENT NOT A PANACEA FOR ALL THE PROBLEMS OF POVERTY

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

RELATION TO WORLD WIDE POVERTY

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

RECOMMENDATIONS

We recommend that citizens—

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

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

APPENDIX 16

FALLACIES OF THE NEGATIVE INCOME TAX

(By Henry Hazlitt*)

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

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

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

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

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

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

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

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

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

APPENDIX 17

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

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

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

- (1) "Need, as objectively measured by income and family size, should be the sole basis of determining payments;
- (2) to provide incentives to work, save and train for better jobs, payments to families should be reduced by only a fraction of their earnings."

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

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

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

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

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

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

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

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

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

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

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

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

A STATEMENT BY ECONOMISTS ON INCOME GUARANTEES AND SUPPLEMENTS

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

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

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

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

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

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

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James Tobin
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APPENDIX 18

BY EDWARD E. SCHWARTZ

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A Way To End the Means Test

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

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

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

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

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

EDWARD E. SCHWARTZ, Ph.D., is George Herbert Jones Professor, School of Social Service Administration, University of Chicago, Chicago, Illinois.

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

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

FAMILY SECURITY PROGRAM

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

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

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

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

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

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

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

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

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

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

CAN THE NATION AFFORD THIS?

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

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

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

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

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

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

⁴ *Ibid.*, p. 58.

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

⁶ *Economic Report of the President*, *op. cit.*, p. 77.

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

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

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

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

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

welfare measures may be gained by a look abroad. Data gathered by Gordon show public welfare expenditures in various nations as a percent of national income in 1950, 1953, and 1957.⁸ In each year the United States ranked lower than any of the sixteen western and eastern European countries reported, and lower than Canada, Chile, Australia, New Zealand, and Israel. The only nations reported that are out-ranked by the United States in this "measure of welfare effort" are Guatemala, four Asian, and three African and Middle Eastern countries.

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

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

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

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

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

⁷ *Ibid.*

ORIGINS OF THE PROPOSAL

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

THE INCENTIVE TO WORK

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

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

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

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

¹⁴ Friedman, *ibid.*, pp. 190-192.

¹⁵ Theobald, *op. cit.*, pp. 192-193.

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

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

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

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

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

Friedman says of his proposal:

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

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

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

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

TABLE I

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

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

¹⁹ *Op. cit.*, p. 192.

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

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

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

FSB AND SOCIAL WELFARE MANPOWER

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

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

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

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

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

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

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

POLITICAL REALITIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SOCIAL WORK'S CONTRIBUTION

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

²³ James M. Morgan *et al.*, *Income and Welfare in the United States* (New York: McGraw-Hill Book Co., 1962).

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

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

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

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

obtaining favorable public consideration of this proposal.

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

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

BY ALVIN L. SCHORR

Alternatives in Income Maintenance

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

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

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

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

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

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

ALVIN L. SCHORR, MSW, is Deputy Chief, Research and Planning, Office of Economic Opportunity, Washington, D.C. This paper was presented at the NASW National Seminar on Social Action, Chicago, Illinois, May 1966.

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

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WORK IS NOT REPLACED

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

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

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

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

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

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

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

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

PUBLIC ASSISTANCE

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

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

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

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

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

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

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

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

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

IN-KIND PROGRAMS

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

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

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

SOCIAL SECURITY

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

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

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

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

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

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

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

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

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

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

NEGATIVE INCOME TAX

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

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

⁷ *Op. cit.*

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

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

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

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

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

UNIVERSAL PAYMENT

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

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

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

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

PARTIAL DEMOGRANT

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

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

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

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

WHAT SHOULD BE DONE?

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

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

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

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

¹² *Op. cit.*

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

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

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

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

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

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

CHOICE TO BE MADE

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

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

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

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



NATIONAL ASSOCIATION OF SOCIAL WORKERS
2 PARK AVENUE, NEW YORK, NEW YORK 10016

Lifting the Poor Out of Poverty: A Background Paper

BY ALAN D. WADE

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

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

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

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

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

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

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

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

POVERTY IN HISTORY

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

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

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

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

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

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

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

ARGUMENTS AGAINST A GUARANTEED INCOME

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

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

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

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

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

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

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

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

portunities in the creative arts and the human services.

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

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

WHO ARE THE POOR?

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

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

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

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

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

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

Those numbered among the poor

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

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

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

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

Efforts to define poverty with the degree of precision demanded for the planning of adequate treatment measures flounder in a mass of confusing and contradictory notions about symptoms and causes, unless an economic definition is sought based on the discrepancy between needs and resources or between required and actual consumption. Such a definition must be arbitrary and must grow out of a guiding assumption that the standard should be set high enough not to offend the public conscience and low enough to make a reasonable differentiation between the elusive concepts of "the poor" and all others. The setting of such a definition, or poverty line, must of necessity be based on decisions more political (in the broadest sense) than scientific. Since families differ, for example, in the amount of nutrients required to maintain energy and sustain growth, a standard must be developed that is useful for statistical purposes in estimating the numbers and kinds of persons affected. Such a standard may be "adequate" for some and "inadequate" for others.

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

It is one thing to develop a hypothetical standard of living that provides the opportunity to differentiate the poor from the nonpoor for statistical purposes, and quite another to arrive at some sort of national agreement as to what ought to constitute an amount "sufficient to maintain all persons throughout the nation at a uniformly adequate level of living."¹ An infinite number of formulas for determining an adequate level based on a variety of measures of human need and consumption patterns will be advanced as debate concerning the guaranteed annual income progresses. Social workers should be prepared for the fact that the final decision will be made primarily in the political rather than in the scientific arena and be prepared to participate in that decision. To insure that all judgments relevant to the decision are given consideration, one possible course of action would be to establish a special presidential commission comprised of persons of the highest status from a variety of disciplines, to set the desirable income level. Whatever level of living is deemed adequate should be related to the cost of living.

LIMITATIONS OF CURRENT PROGRAMS

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

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

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

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

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

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

- Public assistance payments are so low and so uneven that the Government is, by its own standards and definitions, a major source of the poverty on which it has declared unconditional war.

- Large numbers of those in desperate need, including many children, are excluded even from this level of aid by arbitrary eligibility requirements unrelated to need such as those based on age, family situation, degree of disability, alleged employability, low earnings, unrealistic requirements for family contribution, durational residence requirements, and absence of provisions for emergency assistance.

- The methods for determining and re-determining eligibility for assistance and the amount to which the applicant is entitled are, in most

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

- The lack of adequate social services for families, children, young people, and individuals isolated by age or disability is itself a major factor in the perpetuation of such social evils as crime and juvenile delinquency, mental illness, illegitimacy, multigenerational dependency, slum environments, and the widely deplored climate of unrest, alienation, and discouragement among many groups in the population.²

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

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

EXPANDING EMPLOYMENT OPPORTUNITIES

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

² *Having the Power, We Have the Duty*, Report of the Advisory Council on Public Welfare (Washington, D.C.: U.S. Government Printing Office, 1966), p. xii.

¹ *Goals of Public Social Policy*, p. 54.

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

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

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

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

The great challenge, and one that

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

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

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

The 5.3 million potential jobs estimated in the public service fields described in the table would exceed the 4.6 million net additional jobs that the A. Philip Randolph Institute suggests are required by 1967 in order to restore so-called full employment by early 1968.¹¹

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

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

¹¹A "Freedom Budget" for All Americans (New York: A. Philip Randolph Institute, October 1966), p. 28.

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

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

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

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

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

SOCIAL INSURANCE

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

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

income of the vast majority of American workers.

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

NEGATIVE INCOME TAX AND ALLOWANCES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PUBLIC ASSISTANCE

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

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

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

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

¹⁶*Having the Power, We Have the Duty.*

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

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

CONCLUSION

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

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

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

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

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

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

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

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

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

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

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

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