WELFARE REFORM: ALTERNATIVE PROPOSALS**

1. BACKGROUND


The authors make recommendations aimed at eliminating the disparities across states and within states among poor families who do not qualify for categorical aid programs. Proposed changes in the provisions of the family assistance bill would 1) establish a more uniform administrative structure within the federal government and limit discretionary authority at the local level; 2) eliminate or curtail related programs such as food stamps, child care and the work test; 3) treat income from various sources more uniformly for tax purposes.


A philosophical review of the origins and nature of the attempts to reduce income poverty which outlines the range of possible approaches and suggests the costs as well as the benefits of alternative programs.


A history of welfare in the United States and an analysis of current proposals for reform which stresses the political and bureaucratic factors as well as the economic implications. Included is an examination of the strengths and weaknesses of the proposed family assistance plan.

2. INCOME MAINTENANCE PROPOSALS

Barth, Michael C. and David Greenberg. “Incentive effects of some pure and mixed transfer systems.” Journal of Human Resources (Journals Department, University of Wisconsin Press, P. O. Box 1379, Madison, Wisc. 53701), Spring, 1971. pp. 149-170. $2.50.

Compares the static incentive effects of a wage subsidy, both in pure form and in combination with a public assistance program, with the effects of a negative income tax. Concludes that the work incentive ad-

* Prepared by Helen Fairbanks, Librarian. Supplements Selected References No. 139, Income Maintenance by Transfers Through the Federal Tax System.

** Items from this list should be ordered directly from the publisher. Addresses are given in connection with each reference.

Presents a theoretical analysis of the effects of a negative income tax on work effort and evaluates this hypothesis against an empirical investigation of the economic behavior of a group of urban Negro poor. Concludes that a negative income tax, at a fifty per cent marginal rate, would close a large portion of the poverty gap and would have little disincentive effect. Jonathan Kesselman disputes Boskin's conclusion in an article in the September 1969, issue of the *National Tax Journal*, pp. 411-417.


Three papers concerned with the family work decision and how it is affected by the income and substitution effects of an income-maintenance transfer system. Harold W. Watts in "The graduated work incentive experiments: current progress" reviews the experiments supervised by the Institute for Research on Poverty of the University of Wisconsin. These are the urban experiments managed by Mathematica in New Jersey and Pennsylvania and the rural experiment in Iowa and North Carolina in which a control group of two parent families received financial support. "The Seattle experiment: the combined effect of income maintenance and manpower investments" is described by Mordecai Kurz and Robert G. Spiegelman. The principal objective of the Seattle experiment is to determine the price elasticity of demand for vocational training and the effect of investment in human resources on work effort. Terence F. Kelly and Leslie Singer report on "The Gary income maintenance experiment: plans and progress." The Gary experiment concentrated on black, female-headed families in a ghetto setting.


Existing data were used to obtain estimates of the relationship between wage and income changes and hours of work. These estimates were then used in a simulation of the costs, the impact on incomes, and changes in work patterns that might result from the extension to the working poor of income maintenance programs incorporating negative income tax principles. The study finds that there would be a slight reduction in hours worked in order to purchase leisure.

Handler, Joel F. and Ellen Jane Hollingsworth. "Work, welfare and the Nixon reform proposals." *Stanford Law Review* (School of Law,
Reviews the experience of the work incentive program (WIN) as it operated in the Wisconsin Aid to Families with Dependent Children system. The authors conclude that the work requirements in the current family assistance proposals will be as ineffective as the WIN program. Either jobs will not be available or state employment services will merely act as a clearing house. An additional weapon will be created for those who think coercion is the way to make the poor work.


Concludes that a given welfare increase can be achieved at a lower cost by simple transfer payments than with either of the other programs.

"Income redistribution and the labor supply: a symposium." _Journal of Human Resources_ (Journals Department, University of Wisconsin Press, P. O. Box 1379, Madison, Wisc. 53701), Summer, 1968. pp. 275-326. $2.50.

Christopher Green in his paper "Negative taxes and monetary incentives to work: the static theory," presents a theoretical analysis in terms of traditional income/leisure choice theory. In "A negative income tax plan for maintaining work incentives," Richard Perlman considers a subsidy plan which would tie tax benefits to the hours worked as well as income deficiency thus providing an income guarantee and maintaining an incentive structure. The economic implications of the various restrictions applied under the present welfare system are examined by Peter S. Albin and Bruno Stein in their paper "The constrained demand for public assistance." Jane Leuthold contributes "An empirical study of formula income transfers and the work decisions of the poor." She finds that on the average, work efforts will increase slightly for the population as a whole.


The paper by D. Lee Bawden, "Ongoing experiments in income maintenance," describes an experiment involving urban and rural families to determine the effect of alternative tax rates and minimum guarantees upon the work behavior of male headed families. Gerald E. Peabody and Steven B. Caldwell present a microanalytic simulation model designed to analyze the effects of alternative public policies in their paper, "Dynamic microsimulation of the impact of income maintenance programs." David H. Greenberg and Marvin Kosters show the relationship between wage and income changes and hours of work. Their simulation model used cross sectional data drawn from the 1967 Survey of Economic Opportunity to test the labor supply response of a family which participated in both the Family Assistance Plan and the Food Stamp Program. Their conclusions are found in "The impact of income main-
tenance programs on hours of work and incomes of the working poor: some empirical results." Bert Seidman and Michael Taussig discuss the methodology and findings of the three papers.

Kesselman, Jonathan. "The labor-supply effects of income, income-work, and wage subsidies." *Journal of Human Resources* (Journals Department, University of Wisconsin Press, P. O. Box 1379, Madison, Wisc. 53701), Spring, 1971. pp. 149-170. $2.50.

Compared the incentive and labor supply effects of income maintenance programs (a basic income subsidy, a negative income tax and Perlman's income work subsidy). Proposes that those who can work receive a subsidized wage to raise them above the poverty level and those who cannot work receive an outright guaranteed income.


A collection of papers prepared under the aegis of the Institute for Research on Poverty which treat the policy parameters of an income maintenance program. Included are papers on the New Jersey graduated work incentive project and its rural counterpart; the work response of female and aged heads of families; the demographic effects of income maintenance; the changes on social, political and economic community institutions of an income transfer program. The final section is devoted to discussions of definitions of income and family units, the accounting period, work tests and administrative issues.


The report of the Presidential Commission examines the causes and extent of poverty in the United States and reviews the operation of the several government welfare programs. The Commission recommends that the existing categorical programs be terminated and replaced by an income supplement program financed and administered by the Federal government.


Staff materials which review existing and proposed programs and expand upon the conclusions and recommendations embodied in the Commission's report.


Research reports by the staff and consultants in the area of income maintenance.


Proposes a model bonus incentive plan based on a progressive negative marginal tax on earnings.