

*Guaranteed Annual Income*

scheme a prescribed income level would be established at which no taxes and no benefits are received. Persons with incomes in excess of this level would pay income taxes on the excess income, while persons whose incomes fall short of this level would receive a benefit equal to a percentage of the difference between his actual income and the prescribed income level. This income gap is considered to be "negative income" and the percentage of this "negative income" given as a benefit is considered to be a tax, hence the expression "negative income tax". The level of income prescribed for a negative income tax scheme can be either the personal income tax paying level, or an officially determined poverty line or any other income standard.

There are two main methods for determining income deficiency under negative income taxation. One of these, as suggested by Friedman and Lampman, is to determine a person's income gap; that is, the amount by which total income tax exemption and deductions exceed actual income, and then fix a benefit at some percentage of this income gap. Friedman and Lampman suggested a benefit equal to 50 per cent of the income-gap, while other suggestions have been made, namely by Lampman and Schwartz, to pay 100 per cent of the income gap which would bring all persons up to the prescribed minimum income level. Another method is to assign to each unit a fixed allowance which could be varied by family size and family composition to reduce the initial value of this allowance by some percentage applied to other income received and to pay out the net value of the allowance, if any, as a benefit. This is the method which is used with the Guaranteed Income Supplement program and in the New Jersey experiment which was alluded to by the member who spoke before me.

With the first method, it is possible to provide income to fill all or part of the income gap, while with the second method it would be possible, depending on the rate of the fixed allowance and the recovery tax applied to other income, to guarantee incomes to levels exceeding those which are generally regarded as poverty levels.

Negative income taxation then is one technique which can be used to guarantee an annual income. The use of guaranteed annual income, the term used in motion No. 14 which is before us today, as a new income maintenance technique has been advocated by many people from all walks of life representing both the right and left of social thought.

Some of these people are actually opposed to social welfare, but they see the guaranteed annual income as a better alternative to the present mixture of social security programs which will provide what they consider to be a more realistic system at less cost. The scheme has also been advocated by many others who regard the present social security as inadequate and who wish to have income support considerably expanded and extended.

While the concept of the guaranteed annual income has come into a great deal of prominence lately, it is not a new idea. In fact a program based on the principle of the guaranteed annual income was used in England from 1795 to 1834, but was abandoned because the use of such a scheme was believed to have a depressing effect on wages and on the mobility of labour. The concept lay dormant until World War II, when its use on a universal basis was strongly advocated in England by Lady Rhys-Williams. A similar approach was suggested in Canada in 1965 by a Canadian industrialist, D. B. Smith, and in 1966 by the Senate committee on aging, for persons over 65. These representations did not give rise to the use of the concept on a wide scale but its use on a more limited basis has been put in practice in England and in Canada.

In this respect the Canadian Guaranteed Income Supplement program, which provides an income-tested supplementary benefit to old age security pensioners who qualify, is based on the principle of the guaranteed annual income but is applied only to aged persons receiving the old age security pension. In the United Kingdom a universally applied social assistance program called the Supplementary Benefits Scheme virtually provides a guaranteed annual income to all persons in need.

It is obvious I think to anyone who considers the motion before us today, or the issues that are before us in a broader sweep, that there are some definite advantages to the guaranteed annual income scheme. Many of the features of the guaranteed annual income approach are excellent and have advantages over some of the income support measures now used. For example, the system enables larger benefits to be directed to families and individuals having low incomes at a lower cost than under certain of the social security programs now in force.

Payments can be made on the basis of a simple income test which does away with the social stigma normally associated with the receipt of public assistance and does not