that household needs assistance or not. Surely, if that is the case, when we are looking at taxing people, we have to look at all of the revenue that flows into that actual unit. So we think there is merit in examining the idea. I think that our disappointment is that you have a tax reform that postpones consideration of a major item in what we are supposed to be talking about, a major reform.

The Acting Chairman: That is, the negative income tax?

Mr. Philip: No, that is the family unit. It is dismissed; consideration of it is postponed.

The Acting Chairman: That would give rise to the family unit. You could presumably deal much more readily with the concept of a negative income tax.

Mr. Philip: I would think that if you want to offer social programs or social assistance to a family unit, certainly that would be a federal measure. Your program could run into criticism because of obvious inequities that you could illustrate in a non-family unit situation where you cite two unmarried people, living as a family, and one was on a negative income tax, the woman was on a negative income tax because she was unmarried and the man was on $10,000. I suppose there could be some major arguments against the negative income tax system considered in the context of the family unit.

The Acting Chairman: In a simpler form, that was the problem of the $5,000 he mentioned in his opening statement. If it was a family $5,000, or related to the family unit, it would be understandable more readily and you could then take action to cure the defect.

Mr. Philip: I think that in our opening statement we wanted to put forward something to dispel the impression that the only people who contribute to the national purse are the major corporations and the major taxpayers. People with modest incomes do contribute substantial portions of personal income tax, and they also contribute through sales taxes and property taxes. We did not attempt to get into the measure of poverty at that point.

Senator Carter: I am not quite clear as to how this system would work if geared to family units. Are you talking about different rates for different sized families—that is, a family of seven would pay a different rate of income tax on the taxable income?

Mr. Philip: We do not try to deal with that aspect from an analytical point of view, but the Carter Commission report suggested that all the income coming into a family would be taxed on a scale, and that scale would allow for certain differences in family size, but you would lump all the income together rather than having it separated as individual situations now. There were some basic principles set out in the Carter report as to who should pay higher income taxes, what type of combinations, and how you develop a rate structure.

Senator Carter: But all the income coming into a family might not contribute to family income.

Mr. Philip: That is one of the criticisms that was brought up, certainly by the ladies in the country who felt that they should keep their own dollars, one of the criticisms of going to the family unit. It is something that needs substantial consideration before any legislative action is taken on it.

Senator Carter: Somebody spoke about the close link between the Welfare Council and Carter. I do not know whether you got that idea from him or whether he got it from you, but has anybody thought it through?

Mr. Philip: There are some substantial position papers put forward in the Carter considerations, and the Carter report contains a substantial amount of material on it. I doubt if there is any more authoritative basic research on the subject at the present time, but that would certainly produce a base for further consideration of the question.

Senator Carter: Did you get as far as defining what would be called "family income"?

Mr. Philip: Oh yes.

The Acting Chairman: Mr. Carter did that.

Senator Carter: How did he define it?

Mr. Philip: He defined income in a very broad sense of the word. He defined it as including not only the normal portion of income but also capital gains, gifts received, gifts received on succession, and any appreciation in a person's wealth. In other words, it was finally determined that a buck is a buck . So, to that extent, the research done by Carter probably would not help your committee in looking at what would be included in family unit income, but certainly the