

could be provided through reform and expansion of existing income-maintenance programs. The Committee considered this alternative, but found that the difficulties were insuperable. The existing programs are of two types: categorical (which cover specific groups of individuals or families on a needs basis); and demogrants (which are paid to all citizens who qualify on simple demographic criteria such as age or family status). None of the existing programs provides adequately for the working poor. The conclusion reached by the Committee was that no conceivable plan of reform could satisfy the criteria set out above for a G.A.I. program.

2. *The Demogrant.* Another possible method of providing a guaranteed income is through a demogrant. This would involve payment of a flat-rate subsidy to all citizens meeting simple demographic criteria similar to those of existing programs like the Old Age Security and Family Allowance Plans. While such plans have the great advantage of administrative simplicity—there are no “need” criteria for eligibility, and regular payments are mailed by cheque to all recipients—they also have a number of disadvantages. They are inefficient in the sense that most of the payments go to the non-poor. Recovery through taxation, while feasible, is difficult. The initial direct cost of payment of an adequate G.A.I. on a universal basis would be staggering.

3. *The Negative Income Tax.* The third alternative is the Negative Income Tax (N.I.T.) system. Under this type of plan, benefits are payable only to those in need as established by a simple declaration or statement of income. It is therefore selective and not, like the demogrant, universal. Allowance levels are established as a proportion of a “poverty line.” These allowances are reduced as other income increases, at a rate that provides an incentive to increase income through earnings.

## THE NEGATIVE INCOME TAX APPROACH

This type of plan has an inherent flexibility that permits the development and implementation of a basic, somewhat limited plan at the outset, with the potential for future expansion and modification to meet existing needs more fully or to meet new and emerging needs as they arise. The plan selected by the Senate Committee is based on the N.I.T. approach. Of all the approaches considered, it best meets the criteria outlined above. The details of the Committee’s proposal are outlined in the next section.

*The Committee proposes the implementation of a program of Guaranteed Annual Income using the Negative Income Tax method, on a uniform, national basis, financed and administered by the Federal Government, making uniform cash payments to all resident Canadians in economic need. Payments would vary by family size and need and would establish a “floor” level below which no family unit would be permitted to fall.*