and the greater the benefit in relation to those standards, the greater the cost also. If the benefit equals the income gap, it may be adequate but at the same time discourage some people from working, therefore making the scheme more costly in economic terms. If the benefit is less than the income gap, it will be less costly than the approach just mentioned but may not be adequate. If the benefit levels extend beyond the minimum income standards, the levels of support will be adequate, work efforts will be encouraged because a person will always be better off by working, but the scheme may be far too expensive in terms of the nation's ability to finance it at present and in the immediate future.

Finally, a problem which is very often discussed with respect to a guaranteed annual income approach is the effect of such a program on the incentive to work of beneficiaries or potential beneficiaries. Two possible considerations with respect to work incentives are, first, whether the guaranteeing of a minimum income and the taxing away of income when it was at high rates would reduce the work effort of people affected and, second, if the level of the guaranteed income is high enough, whether some families and individuals would be so satisfied with the amounts transferred to them that they would partially, substantially or completely reduce their work effort.

Some studies have been done in the United States and in England on the effect of high marginal tax rates on the incentive to work. These have mainly been concerned with the effect on persons in the upper income brackets. While the results of these studies showed no noticeable effect on the work effort among those with high incomes, these conclusions may not be valid among persons with low incomes. An interim report on an important experiment and study in the United States which has just been received is very reassuring with regard to low income groups.

In Canada there are a number of factors operating to encourage work effort. We live in a work-oriented society where a person is expected to work and his social status is judged on employment status and the nature of his employment. The question of the effect of income transfers on the work effort of low income members of the population is one that needs to be examined further both theoretically and practically.

One project aimed at a thorough examination of the effects of a guaranteed income on incentives to work is the New Jersey experiment which I mentioned earlier. That is a three-year experimental study involving the use of the negative income tax technique of income maintenance on a limited group of families in New Jersey. It is financed by the Office of Economic Opportunity through the Institute for Research on Poverty at the University of Wisconsin and is being conducted by Mathematica Incorporated, a firm in Princeton, New Jersey.

The sample being used is 1,200 low income households with working-age heads selected at random from among three metropolitan areas in New Jersey. The selection of the household heads was made in such a way as to provide a homogeneous group to reduce design and analysis problems and to eliminate certain types of family heads whose economic and social circumstances are such as to basically distort the study.

Four hundred of these households are the control group which do not receive income guarantee payments but are paid a small fee for taking part in interviews every three months. The other 800 are enrolled in one or other of the various negative income tax plans and receive money by cheque every two weeks. They are interviewed four times a year for the full three years and prepare every four weeks a short tax return reporting on their income and family size. The amount of money paid every two weeks is determined on the basis of the interviews and reports and an audit run by the program itself.

The composition of the eligible family unit and the concept of income used were two basic problems underlying the experiment. The research design provided that the definition should closely correspond to the definition of "family" and "income" used for census purposes. The eligible unit includes husband and wife and any child or other person, related or not, who lives with and derives more than half his support from the family head.

• (5:40 p.m.)

This definition falls somewhere between the census concepts of "economic family" and "census family." During the course of the experiment no entries are permitted into the family unit, except by birth or in the case of a minor child after an initial waiting period of six months. Rules have also been set down indicating what persons are considered to have left the family unit.

The concept of income is a broadened measure of income because it is more compre-