problems, I believe, is to develop new grounds in the other parts of the Pacific, which I am informed may entail modification of gear and techniques to cope with the clear waters and fast moving Skipjack of the tropical Pacific waters.

Guam is uniquely located so that U.S. Skipjack fishing purse seiners can range as far west as the Philippines, south of New Guinea, east to the Marshalls and North to Japanese waters. Our deep water port can accommodate a fleet of fishing vessels; bunkering and repair facilities and excellent transportation and communications are available.

The potentials for the development of the Skipjack tuna resource of this area for the benefit of Guam and the U.S. are within our sight. We are hopeful that because of our limited financing, the Federal government can come to our help, for the sake of helping ourselves in the future.

I wish to take this opportunity to thank you for your past cooperation in this matter, and pledge to you our complete support in any future effort you may undertake in behalf of the tuna research program.

Sincerely,

CARLOS G. CAMACHO,
Governor of Guam.

TUNA RESEARCH FOUNDATION, INC.,
Terminal Island, Calif., June 23, 1971.

Hon. HIRAM L. FONG,
U.S. Senate,
Washington, D.C.

DEAR SENATOR FONG: This will refer to the Program of Economic Development envisaged by the Pacific Island Development Commission.

The United States tuna industry considers this to be a program which will be highly beneficial to the economies of the State of Hawaii, American Samoa, Guam, and the Trust Territories of the Pacific Islands. The U.S. tuna industry would hope to share in this benefit.

After considerable consultation with the executives of the above mentioned political entities, the tuna industry has pledged a contribution of $212,500 toward the Program for the development of fisheries in the Pacific Basin.

The pledge of $212,500 is contingent, however, on there being made available from other sources a sum sufficient to insure the mounting of a program of a size that will give some reasonable assurance of success to the effort.

We are informing you of this pledge in order that you may know that the tuna industry is indeed sincere in its desire to contribute to and participate in the program.

Yours sincerely,

CHAS. R. CARRY,
Executive Director.

By Mr. HATFIELD:

S. 2438. A bill to provide a tax credit for contributions made directly to individuals and families whose income is below the poverty level. Referred to the Committee on Finance.

Mr. HATFIELD. Mr. President, since the war on poverty was officially declared in the early 1960's, various proposals have been made which were intended to deal the final blow to this adversary. Most particularly, attention has been increasingly paid to welfare—its present shortcomings, its rightful role, if any, in our society, and possible alternatives to the present system. The irony of the richest nation in the world's history having nearly one out of every eight of its citizens living below the poverty line has been frequently pointed to. In a country with such great wealth, this fact is appalling, but the essential question that has continually plagued us is how to best alleviate, if not completely solve, this problem.

The Federal Government was turned to, to lead the way. Government expenditures have increased expotentially, the number of poor has varied. Between 1961 and 1971, for instance, total Federal, State, and local expenditures for welfare nearly quadrupled. Between 1960 and 1969, the number of people living below the poverty line decreased steadily from 39.8 to 24.3 million—a decrease of 15.5 million people. Yet, between 1969 and 1970, the number of poor increased to 25.5 million—an increase of 1.2 million people. A large portion of this increase can probably be explained as a result of inflation. During the past 2 years the Federal budget has increased, but in constant dollars it has decreased. Generally, there is a positive correlation between the increase in Government expenditures related to alleviating poverty and the decreasing number of poor.

Be that as it may, there still remain roughly 13 percent of our country's citizens living below the official poverty level—$3,968 for a family of four. And if these people are to be brought up to nonpoverty conditions, no matter how defined, a great deal more must be done.

Much has been said about those living below the poverty line and living in poverty. But what is this line? And what is poverty? The usually accepted definition of "poverty line," and the one used by the Federal Government, was developed in 1964 by the Social Security Administration. The core of the definition is the 1963 cost of items for nutritionally adequate food plans developed by the Department of Agriculture. Since 1964, the cost has been adjusted annually by the Bureau of Labor Statistics' Consumer Price Index—CPI. The 1970 poverty line for a family of four based on the Social Security Administration's definition of poverty was $3,968. The Department of Health, Education, and Welfare estimated that to bring everyone up to this line under a Federal program introduced during the 91st Congress would cost in the neighborhood of $24 to $37 billion more than is presently being spent. This expenditure would be needed to provide everyone with a cash income of at least the poverty level for a total of $11.4 billion. In other words, to get $11.4 billion into the pockets of the poor would cost the Federal Government at least $26 billion and perhaps $39 billion.

A second definition of "poverty line" that is sometimes used is one based on data of the Bureau of Labor Statistics—BLS. The BLS developed budgets for three categories of life-style: Lower budget, intermediate budget, and higher budget. The differences between them is reflected by the following statement of BLS:

> The manner of living represented by the lower budget differs from that in the moderate and higher budgets primarily in the specifications that the family lives in rental housing without air conditioning; performs more services for itself; and utilizes free recreation facilities in the community. The elite style reflected by the higher budget, on the other hand, specifies a higher level of home ownership, compared with the moderate; more complete inventories of household appliances and equipment; and more extensive use of services for a fee. For a majority of the items in the list of goods and services that are common to the three budgets, both the quantity and quality levels in the lower budget are below, while those in the higher budget are above, the levels specified for the moderate budget.

Taking the lower budget estimate and eliminating costs such as physical services, hospital care, and taxes, the poverty level would have been $5,500 in 1970 for a family of four. This year, however, that cost has risen to $6,500 as estimated by the National Welfare Rights Organization, reflecting the rising cost of living and inflation. Whereas the cost of implementing a $5,500 Federal program would have cost roughly $55.8 billion for fiscal year 1971 as estimated by the Department of Health, Education, and Welfare, the cost of implementing the $6,500 level would be in the neighborhood of $80 to $85 billion with the ratio of administrative, child care, job training, and old age benefits of presently contemplated magnitude projected into this level. Of these funds, perhaps as much as $7 billion would go for administration assuming the present ratio of expenditures and administrative costs. Looked at another way, the cost of a poverty program of this magnitude would entail an administrative budget larger than our national budget in 1940—$9.055 billion—and a total budget of approximately the same size as the Gross National Product one year earlier—1939 GNP: $87.6 billion.

The family assistance plan offered by the administration uses a third definition of $2,400 for a family of four. And it would cost nearly $15 billion the first year. If the Federal Government is to bear the responsibility of eliminating poverty through federally controlled programs, then it will cost between $15 and $85 billion the first year depending upon which definition of poverty line one accepts.

But poverty has more than economic implications. Oscar Lewis, a noted author and researcher, has stated this very well in his book, "Five Families:"

> Although poverty is quite familiar to anthropologists, they have often taken it for granted in their studies of preliterate societies because it seemed a natural and integral part of the whole way of life. In fact, many anthropologists have taken it upon themselves to defend and perpetuate this way of life against the inroads of civilization.
>
> But poverty in modern nations is a very different matter. It suggests class antagonism, social problems, and the need for change . . . Poverty becomes a dynamic factor which affects participation in the larger national culture and creates a subculture of its own. One can speak of the culture of the poor, for it has its own modalities and distinctive social and psychological consequences for its members. It seems to me that the culture of poverty cuts across regional, rural-urban, and even national boundaries. For example, I am impressed by the remarkable similarities in family structure, the nature of kinship ties, the quality of husband-wife and parent-child relations, time orientation, spending patterns, value systems, and the sense of community found in lower-class settlements in London . . . in Puerto Rico . . . in Mexico City slums and Mexican villages and among the lower class Negroes in the United States.

Alleviating the economic plight of those individuals living in poverty would not solve the problem, although it is central to it. Poverty has psychological and sociological implications as well which must be dealt with if any welfare program is to be successful. It is these factors which determine the parameters of any constructive solution to poverty. Education, housing, transportation, health facilities, nutrition, family, and friends are intricate components of any meaningful program. To effectively deal with poverty, an entire subculture must be altered, as Oscar Lewis points out. This implies not only a substantial investment, as I pointed out earlier, but also will take considerable length of time due to the deeply rooted nature of the problem.

The first step that must be taken is in the economic realm. The United States has a trillion-dollar Gross National Product, having increased more than 10 times its size over the past 3 decades—$109.4 billion in 1941 and $1,005 billion in 1971. The Federal budget has also seen an increase roughly proportionate to the GNP. The Federal budget, for instance, has increased from $13.25 billion in 1941 to $164.7 billion in 1971, a more than twelvefold increase over the past 30 years.

If this Nation were to make a firm commitment to eliminate poverty, what would be the economic implications? Depending upon the definition of poverty one assumes for a family of four and the inclusiveness of such a definition the cost for a totally federalized program of income supplements would range between $3 billion and $85 billion—from a $1,600 to a $6,500 level for a family of four—as presently contemplated. As the poverty line increases, however, the tax base decreases. At present, with no change in the welfare level, the tax base would be $546 billion. If the level were increased to $2,400, the tax base would be decreased to $468 billion. And if the level were increased to $5,500, the tax base would decrease to $246 billion. What this means is that a greater burden would be borne by fewer people for the cost of welfare as the income level defined as the poverty line increases. At the $5,500 level, for instance, almost three-fifths of the citizens of the United States would keep welfare benefits. In order to continue other programs at present levels, calculating the additional burden of increasing welfare payments, average tax rates would have to increase between 0.7 to 68.9 percent—again using the $1,600 and $5,500 range.

Mr. President, I would like at this time to ask unanimous consent that a table utilized by Mr. Edward Moscovitch in an article written for the January/February edition of the New England Economic Review indicating the increased tax burdens for differing poverty levels be printed at the end of my remarks.

The PRESIDING OFFICER (Mr. Bentsen). Without objection, it is so ordered.

(see exhibit 1.)

Mr. HATFIELD. Mr. President, this would consequently affect the amount of disposable income that individuals would have. For example, with a $2,400 basic allowance for a family of four, a family of four with a $10,000 income would have a disposable income of $8,700. A family of four with an income of $30,000 would have a disposable income of $16,900 with a poverty level of $5,500.

In the same article quoted earlier there appears another table delineating this in greater detail and I, therefore, ask unanimous consent that the table appear at the end of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 2.)

Mr. HATFIELD. Mr. President, having examined some of the economic implications of this type of income maintenance program at differing poverty levels, there are some critical choices to be made. Any changes put forth must take these factors into consideration, as well as the shortcomings of the present system, for instance, the cost of administering such a large program on a national basis—administration absorbs approximately $1 for every $12 of aid; the degradation of the recipients under the current program; today only 40 percent of those under the officially designated poverty line receive aid; work is discouraged in many instances; aid levels vary disproportionately from State to State.

Mr. President, any national program should supplement local efforts to cope with the problems of poverty—not the reverse, as seems to be the current trend. By "local," I do not mean even State or city, but the community and neighborhood. Not that the various levels of State and Federal Governments do not have a role to play, but help for those in less fortunate circumstances than others through no fault of their own, should be helped on an individual, neighborhood level primarily with larger regional governments becoming involved secondarily. The proposal I am introducing today, I believe to be a step in the direction of accomplishing these ends, as well as helping eliminate the problems inherent in the present and/or any national welfare program organized and controlled by the Federal Government.

The bill would allow tax credits to individuals or organizations who donate funds to others whose income is below the poverty level—to be defined on an annual basis by the Secretary so that inflation, cost of living, and other factors could be taken into consideration. The credits would progress over a 10-year period starting at 10 percent the first year and increasing at 10-percent increments each year to 100 percent the last year. The credits would be cumulative on an annual basis so that an individual could pay out more in 1 year than his total income tax for the same year, but be credited for whatever his future income tax might be.

The individuals receiving these funds from other individuals would have to qualify with local agencies and receive the funds on a prorated basis during each fiscal year. At the end of each fiscal year during the 10-year implementation period, the Secretary will report to the Congress the effects of the next year's credit increase on the Federal budget and the general economy.

I believe the potential consequences of this proposal would be profound. It would most importantly bring the problems of poverty back to the human level, involving people with one another to solve a mutual problem rather than having to deal with an impersonal bureaucracy and the dehumanizing effects that follow. Second, this proposal would significantly cut the administrative costs to the Federal Government by placing more responsibility with the potential recipient and the individual or organization interested in involving himself in the problems of poverty.

Before examining the budgetary and other implications of my proposal, a word must be said regarding the data available for analyzing and projecting the numerous, complex aspects of poverty, and any welfare program. With few exceptions, the necessary data is only estimated in the roughest of terms. In many cases, as in the following material, new and more valid data is needed before an ultimate choice is made. Be that as it may, the figures I am utilizing today are from official records of hearings or from various Government agencies unless otherwise indicated. From these figures, various projections were made, and if shortcomings in the mathematical analysis can be brought forth, they would be most welcome.

One of the first questions that comes to mind regarding the proposal I am making today is the possibility of depleting the income tax revenues for the operation of the Federal Government. Mr. President, I would like to ask unanimous consent that two charts, labeled exhibit 3 and exhibit 4, indicating the possible consequences of this program on revenue sources between fiscal years 1973–82 be printed in the Record at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibits 3 and 4.)

Mr. HATFIELD. Mr. President, the first chart, exhibit 3, projects the anticipated incoming revenues to the Federal Government for each of the next 10 fiscal years at various poverty levels, if the full tax credit were used each year. The GNP was assumed to be increasing at an average rate of 8 percent, welfare expenditures were held constant, and an 11 percent GNP figure was used to project anticipated income taxes. For both exhibits 3 and 4, a poverty gap, which I described earlier, for each poverty level was determined to be roughly two-thirds the required gross Federal outlay for each level. The poverty gaps utilized are as follows:

[In billions]

	Poverty gap
$1,600	$2.3
$2,400	4.2
$4,000	1.4
$5,500	40.5
$6,500	50.0

As will be noted, even for fiscal year 1973 at the $6,500 level, the income taxes remaining for utilization of the Federal Government by the most conservative estimates is more than $5 billion above the estimated income taxes for fiscal year

1972—$135.4 billion as compared to $130.4 billion.

Exhibit 4 is based on the same data as exhibit 3, but instead of assuming a constant Federal outlay for welfare expenditures increases in the poverty ranks were assumed at a rate relative to population growth over the next decade. Again, if one will note the anticipated income revenues remaining in fiscal year 1973, at the $6,500 level, the figure is still above the projected income taxes through fiscal year 1972—$180.9 billion as compared to $130.4 billion. And as time progresses, the difference becomes greater. In order to make this comparison more clear, I ask unanimous consent that at the conclusion of my remarks a chart indicating the projected income taxes through fiscal year 1982 be printed in the RECORD at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 5.)

Mr. HATFIELD. Mr. President, by fully utilizing a program of this nature, great savings could be anticipated. If, by 1982, full advantage were taken of the tax credits, the Federal Government would not have to be making any expenditures for income maintenance and consequently have more flexibility in its budget. But even if this were not the case and the credits were not fully utilized, the opportunity would still be present and without jeopardizing the Government's revenue sources.

A further word, I feel, must be said about the cost of eliminating or significantly diminishing, poverty from our country. The Federal programs put forth during the 91st and 92d Congresses to date have been relatively small in comparison to the magnitude of the problem. For instance, child care must be provided if parents are to work. Jobs must be found if those living in poverty, no matter how defined, are to become self-supporting. Training must be forthcoming if those below the poverty line are to be able to obtain jobs. None of the programs put forth to date have really taken on this problem, the rationale utilized being that our country cannot afford it. I would not question that assertion if the programs emanated from and were directed by the Federal Government. The cost would be highly prohibitive. For instance, by combining only the gross outlays, administrative, and full child-care costs—not including land purchase, construction or renovation—the expenditures would be as follows:

[For fiscal year 1972 in dollar billions]

Poverty level:	Federal expenditure
$1,600	$19.2
$2,400	16.3
$4,000	76.6
$6,500	125.2

And I reiterate, these figures do not include job training, medical aid, or job creation and it assumes that parents would pay one-half the cost of child care programs—not including land purchase, construction or renovation.

Yet the problem can be met, if coordinated, integrated programs emanate from the local level and are supplemented by the Federal and State governments. This might be viewed as anachronistic and/or archaic, but a large Federal program, with the leadership attempted at the Federal level, cannot do the job—it can help. If this does not occur, I do not see any reasonable hope for breaking the poverty cycle and freeing millions of Americans today or in the foreseeable future.

Theoretically, this program could completely replace any of the welfare programs which are not operating, but its success would depend completely on the citizens within our country. The responsibility could rest more with the individual; he could truly be his brother's keeper and not only be involved in a purely financial transaction, but serve as a base for helping the less fortunate find other sources of income, jobs, education, and all of the other benefits in which the majority of Americans presently participate.

There have been examples in our history of programs of this nature operating successfully. The first that comes to mind is the communal programs developed by the Mormons. Each member of the local church contributes what he can to a community fund in case a member of his group runs into hard times. If this does happen, he and his family can use the community fund until he is back on his feet. It is only through this type of involvement that a program dealing with such personal and vital aspects of an individual's life can be successful. All of the money and resources in the world cannot begin to cope with the complex problems of poverty without personal involvement and dedicated effort. This bill I am proposing today is an attempt to provide the opportunity for such an endeavor.

I ask unanimous consent that the bill be printed in the RECORD at this point.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 2438

A bill to provide a tax credit for contributions made directly to individuals and families whose income is below the poverty level.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1954 (relating to credits against tax) is amended by renumbering section 40 as 41, and by inserting after section 39 the following new section:

"SEC. 40. DIRECT ANTIPOVERTY CONTRIBUTIONS.

"(a) General Rule.—There shall be allowed to an individual, as a credit against the tax imposed by this chapter for the taxable year, an amount equal to a percentage (determined under subsection (c)) of the amount of certified direct antipoverty contributions made by such individual during the taxable year.

"(b) Limitations.—

"(1) Application with other credits.—The credit allowed by subsection (a) shall not exceed the amount of the tax imposed by this chapter for the taxable year reduced by the sum of the credits allowable under section 33 (relating to foreign tax credit), section 35 (relating to partially tax-exempt interest), section 37 (relating to retirement income), and section 38 (relating to investment in certain depreciable property).

"(2) Verification.—The credit under subsection (a) shall be allowed with respect to any certified direct antipoverty contribution only if such contribution is verified in such manner as the Secretary or his delegate prescribes by regulations.

"(c) Determination of percentage.—The percentage of the amount of certified direct antipoverty contributions made by an individual during a taxable year for which he may claim a credit under subsection (a) shall be—

"(1) 10 percent for taxable years beginning after December 31, 1972, and before January 1, 1973;

"(2) 20 percent for taxable years beginning after December 31, 1973, and before January 1, 1974;

"(3) 30 percent for taxable years beginning after December 31, 1974, and before January 1, 1975;

"(4) 40 percent for taxable years beginning after December 31, 1975, and before January 1, 1976;

"(5) 50 percent for taxable years beginning after December 31, 1976, and before January 1, 1977;

"(6) 60 percent for taxable years beginning after December 31, 1977, and before January 1, 1978;

"(7) 70 percent for taxable years beginning after December 31, 1978, and before January 1, 1979;

"(8) 80 percent for taxable years beginning after December 31, 1979, and before January 1, 1980;

"(9) 90 percent for taxable years beginning after December 31, 1980, and before January 1, 1981;

"(10) 100 percent for taxable years beginning after December 31, 1981.

"(d) Definitions.—

"(1) Certified direct antipoverty contribution.—For purposes of this section, the term 'certified direct antipoverty contribution' means a contribution of money to an individual or family who, at the time such contribution is made, is certified as an eligible recipient under subsection (e), but only to the extent such contribution or gift is certified under subsection (f).

"(2) Total economic income.—For purposes of this section, the term 'total economic income' means all income from whatever source derived, including (but not limited to) the cash value of food stamps or other non-monetary benefits received from the Federal government or the government of any State or political subdivision thereof, wages, net earnings from self-employment, payments received as an annuity, pension, retirement, or disability benefit (including veterans' compensation and pensions, workmen's compensation payments, old-age, survivors, and disability insurance benefits, railroad retirement annuities and pensions, and unemployment benefits), prizes and awards, life insurance proceeds (less medical and burial expenses of the deceased paid from such proceeds), gifts, support and alimony payments, inheritances, and rents, dividends, interest, and royalties.

"(e) Certification of Eligible Recipients.—

"(1) Eligibility requirement.—An individual, who is 18 years of age or older, or a family may be certified as eligible to receive certified direct antipoverty contributions of his, or their, total economic income (other than income from certified direct antipoverty contributions) for the taxable year is expected to be less than that determined by the Director of the Office of Management and Budget to be a poverty level income.

"(2) Certification procedure.—The Secretary or his delegate shall provide for the voluntary registration of individuals and families who wish to receive certified direct contributions and for the periodic certification of those determined to be eligible to receive such contributions. Any agency of the Federal government, or of the government of any

State or political subdivision thereof, which is designated by the Secretary or his delegate for such purpose may certify individuals and families as eligible under this subsection in accordance with procedures established by the Secretary or his delegate by regulation. Any denial of certification by any such agency may be appealed to the Secretary, whose determination shall be final.

"(f) Certification of Contributions.—The Secretary or his delegate shall provide for the certification of contributions to individuals and families who are certified as eligible recipients under subsection (e). A contribution to an individual or family may be certified only to the extent that such contribution, when added to—

"(1) the amount of certified direct antipoverty contributions previously received by the individual or family during the taxable year, and

"(2) the total economic income (other than income from certified direct antipoverty contributions) expected to be received by the individual or family during the taxable year, does not exceed the poverty level income for the individual or family as determined by the Director of the Office of Management and Budget.

"(g) Carryover.—If the amount of certified direct antipoverty contributions paid by an individual during any taxable year exceeds the amount of the credit allowable under this section for such taxable year, such excess shall be treated as a certified direct antipoverty contribution the payment of which is made in the next taxable year.

"(h) Poverty Level Income.—For purposes of this section, the Director of the Office of Management and Budget shall determine poverty level incomes for individuals and families on a uniform basis throughout the United States.

"(i) Regulations.—The Secretary or his delegate is authorized to prescribe such regulations as may be necessary to carry out this section.

"(j) Cross Reference.—

"For disallowance of credit to estates and trusts, see section 642(a)(3)."

(b) The table of sections for such subpart is amended by striking out "Sec. 40. Overpayments of tax." and inserting in lieu thereof:

"Sec. 40. Direct antipoverty contributions.
"Sec. 41. Overpayments of tax."

(c) Section 642(a) of such Code (relating to credits against tax for estates and trusts) is amended by adding at the end thereof the following new paragraph:

"(3) Direct antipoverty contributions.—An estate or trust shall not be allowed the credit against tax for direct antipoverty contributions provided by section 40."

(d)(1) Part II of subchapter B of chapter 1 of such Code (relating to items specifically included in gross income) is amended by adding at the end thereof the following new section:

"SEC. 84. AMOUNTS RECEIVED AS DIRECT ANTIPOVERTY CONTRIBUTIONS

"Gross income includes the amount of any certified direct antipoverty contribution (as defined in section 40(d)) received by the taxpayer during the taxable year."

(2) The table of sections for such part is amended by adding at the end thereof the following:

"Sec. 84. Amounts received as direct antipoverty contributions."

SEC. 2. The amendments made by the first section shall apply to taxable years ending after December 31, 1971, but only with respect to certified direct antipoverty contributions the payment of which is made after such date.

SEC. 3. On or before the first day of August of each year from 1973 through 1982, the Secretary of the Treasury shall report to the Congress an evaluation of the effect of the tax credit for contributions under section 40 of the Internal Revenue Code of 1954 upon poverty in the United States and upon the economy of the United States during the fiscal year ending on the thirtieth day of June next preceding such report, together with such additional comments and recommendations, including recommendations for legislation, as he may have with respect to the effects of such section.

EXHIBIT 1.—TAX RATES REQUIRED TO FINANCE INCOME-SUPPLEMENT PROGRAMS

This table shows the calculation of the average personal income tax rates required by income-supplement programs. These rates appear in row O at the bottom of the table. They are derived by dividing total revenue requirements of the Federal Government by the personal income tax base. The net increase in Federal expenditure implied by income-supplement programs consists of the cost of the supplements themselves, plus the cost of aid to the disabled and the Federal share of temporary assistance, less current Federal welfare expenditure. Total revenue requirements include the costs of income supplements, the income tax revenues now going to other programs, and social security personal contributions, less savings made possible by introduction of income-supplements.

[Amounts in billions of dollars]

Basic allowance rate	No welfare reform	$1,600 50 percent	$2,000 50 percent	$2,400 50 percent	$3,000 50 percent	$3,600 50 percent	$4,000 50 percent	$5,000 50 percent	$5,500 50 percent	$2,400 40 percent
(A) Income supplement payments		6.2	8.2	11.1	17.3	25.8	33.0	56.1	70.2	13.8
(B) Plus Federal share of temporary assistance		2.2	1.5	.8	.3	.1				.8
(C) Plus full cost of aid to disabled and blind		1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
(D) Equals total Federal payments to poor		10.0	11.3	13.5	19.2	27.5	34.6	57.7	71.8	16.2
(E) Less current Federal share of welfare		5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7
(F) Equals net increase in Federal expenditure		4.3	5.6	7.8	13.5	21.8	28.9	52.0	66.1	10.5
(G) Savings to the States [1]		2.7	3.4	4.1	4.6	4.8	4.9	4.9	4.9	4.1
(H) 1971 income tax revenues	91.0	91.0	91.0	91.0	91.0	91.0	91.0	91.0	91.0	91.0
(I) Plus personal share of social security tax	23.1	23.1	23.1	23.1	23.1	23.1	23.1	23.1	23.1	23.1
(J) Plus net increase in Federal expenditure		4.3	5.6	7.8	13.5	21.8	28.9	52.0	66.1	16.2
(K) Equals gross Revenue requirements	114.1	118.4	119.7	121.9	127.6	135.9	143.0	166.1	180.2	124.6
(L) Less savings on other Federal programs		.5	1.0	2.8	5.2	6.7	9.0	10.7	10.7	2.8
(M) Equals net revenue requirements	114.1	117.9	118.7	119.1	122.4	129.2	134.0	155.4	169.5	121.8
(N) Personal income tax base [2]	545	546	506	468	413	366	337	275	246	415
(O) Required average tax rate in percent (M/N)	20.9	21.6	23.5	25.4	29.6	35.3	39.8	56.5	68.9	29.3

[1] Total State and local expenditure on welfare is now $4,900,000,000.
[2] Includes adjustments for under-reporting of income in Consumer Income survey ($32,200,000,000) and for capital gains ($20,000,000,000).

Source: Calculations of the cost of income-supplement payments (line A) are based on estimates of the 1971 income distribution prepared by the Urban Institute. Figures on welfare expenditure and tax revenue are for calendar year 1971 and were obtained by averaging the expenditure estimates for fiscal years 1971 and 1972 which appear in the U.S. Budget in Brief, for fiscal year 1972.

EXHIBIT 2.—HOW INCOME-SUPPLEMENT PROGRAMS AFFECT YOU—SOME ILLUSTRATIVE EXAMPLES

The table illustrates the effect on 4-person households at various income levels of adopting the income-supplement programs discussed here. The columns show the disposable income and tax or net benefit of families at various income levels; the rows are for different levels of income supplements. With a $2,400 plan, for instance, a family earning $3,000 would have a net benefit of $900; when this is added to income of $3,000, it means a disposable income of $3,900. Under a $5,500 plan, a family earning $20,000 would pay taxes of $6,200. When subtracted from income of $20,000 this leaves disposable income of $13,800. In calculating required taxes, the table uses the rates shown in table 3—rates just high enough to raise the revenues required to finance the income-supplement plans. To facilitate comparisons with existing tax levels, line A shows the taxes that will actually be paid in 1971, and line B shows what families would pay in 1971 if the same type of flat tax used in lines C—H were in effect.

Family income

	$0		$1,500		$3,000		$6,000		$10,000		$15,000		$20,000		$25,000		$30,000	
Type of plan	Tax (—) or net benefit (+)	Disposable income	Tax (—) or net benefit (+)	Disposable income	Tax (—) or net benefit (+)	Disposable income	Tax (—) or net benefit (+)	Disposable income	Tax (—) or net benefit (+)	Disposable income	Tax (—) or net benefit (+)	Disposable income	Tax (—) or net benefit (+)	Disposable income	Tax (—) or net benefit (+)	Disposable income	Tax (—) or net benefit (+)	Disposable income
(A) No reform	0	0	—80	1,420	—160	2,840	—650	5,350	—1,400	8,600	—2,200	12,800	[3] —3,200	16,800	[2] —4,400	20,600	[2] —5,700	24,300
(B) 1968 flat tax [4]	0	0	0	1,500	—80	2,920	—700	5,300	—1,550	8,450	—2,600	12,400	—3,600	16,400	—4,700	20,300	—5,700	24,300
(C) $2,400 basic allowance (50 percent)	2,400	2,400	1,650	3,150	990	3,900	—300	5,700	—1,300	8,700	—2,600	12,400	—3,900	16,100	—5,100	19,900	—6,400	23,600
(D) $3,000 basic allowance (50 percent) [4]	3,000	3,000	2,250	3,750	1,500	4,500	0	6,000	—1,200	8,800	—2,700	12,300	—4,100	15,900	—5,600	19,400	—7,100	22,900
(E) $3,600 basic allowance (50 percent) [4]	3,600	3,600	2,850	4,350	2,100	5,100	600	6,600	—1,000	9,000	—2,800	12,200	—4,500	15,500	—6,300	18,700	—8,000	22,000

Footnotes at end of table.

Type of plan	$0		$1,500		$3,000		$6,000		$10,000		$15,000		$20,000		$25,000		$30,000	
	Tax (—) or net benefit (+)	Disposable income	Tax (—) or net benefit (+)	Disposable income	Tax (—) or net benefit (+)	Disposable income	Tax (—) or net benefit (+)	Disposable income	Tax (—) or net benefit (+)	Disposable income	Tax (—) or net benefit (+)	Disposable income	Tax (—) or net benefit (+)	Disposable income	Tax (—) or net benefit (+)	Disposable income	Tax (—) or net benefit (+)	Disposable income
(F) $5,500 basic allowance (50 percent)[1]	5,500	5,500	4,750	6,250	4,000	7,000	2,500	8,500	500	10,500	—2,800	12,200	—6,200	13,400	—9,600	15,400	—13,100	16,900
(G) $2,400 basic allowance (40 percent)[1]	2,400	2,400	1,800	3,300	1,200	4,200	0	6,000	—1,150	8,850	—2,600	12,400	—4,100	15,900	—5,600	19,400	—7,000	23,000
(H) $2,400 basic allowance (35.3 percent)[1 5]	2,400	2,400	1,875	3,375	1,350	4,350	300	6,300	—1,100	8,900	—2,900	12,100	—4,600	15,400	—6,400	18,600	8,100	21,900

[1] The tax figures on this line include Social Security contributions (5.2 percent of income up to $7,800). It is assumed that taxpayers with incomes of $6,000 or less took the standard deduction and that taxpayers with higher incomes itemized deductions equal to 15.5 percent of income. This is the average deduction for these income classes as reported in the IRS Statistics of Income, 1968.

[2] Many families in this bracket may have paid less because their income was in the form of capital gains or tax-exempt interest.

[3] The result of raising actual 1971 revenues, including Social Security personal contributions, from a flat tax on all income above exemptions. No deductions are allowed. This is comparable to the tax system used in the examples below.

[4] Treatment of capital gains under these plans is the same as under present tax laws.

[5] This is the credit income tax, where the positive tax rate equals the offsetting rate.

EXHIBIT 3.—INCOME TAXES REMAINING[1]

[In billions]

Fiscal year	$1,600	$2,400	$4,000	$5,500	$6,500
1973	$140.2	$140.0	$139.3	$136.4	$135.4
1974	151.1	150.8	149.3	143.5	141.6
1975	163.0	162.4	150.3	151.5	148.7
1976	175.9	175.1	172.2	160.6	156.8
1977	189.6	188.7	185.1	170.6	155.8
1978	182.3	213.6	199.3	181.8	176.1
1979	221.0	219.7	214.6	194.2	187.6
1980	223.2	238.2	232.5	209.2	201.6
1981	258.8	257.1	250.6	224.2	215.9
1982	279.5	277.6	270.4	241.3	231.8

[1] United States GNP is anticipated to increase 8 percent annually. Income taxes have varied between 11 percent and 13 percent of the GNP since 1945. Projecting the 8-percent GNP growth and the lowest tax base, these figures represent the projected income taxes minus the 10-percent increments for welfare payments, if the costs for various poverty programs were to remain constant.

EXHIBIT 4.—INCOME TAX REVENUE REMAINING AT CONSTANT RATIO OF POVERTY[1]

[In billions]

Fiscal year	$1,600	$2,400	$4,000	$5,500	$6,500
1973	$135.6	$135.4	$134.7	$131.9	$130.9
1974	149.8	145.5	144.1	138.5	136.6
1975	156.2	155.6	153.6	145.1	142.5
1976	168.9	168.1	165.3	154.2	150.5
1977	183.0	182.1	178.6	164.6	150.4
1978	176.8	207.2	191.3	176.4	170.8
1979	214.4	211.3	208.2	188.4	185.4
1980	232.6	231.1	225.5	202.9	195.6
1981	251.0	249.4	243.1	217.5	209.4
1982	271.1	269.3	262.3	234.1	224.8

[1] This chart projects the anticipated revenue remaining with a varying number of people below the various poverty lines. Figures utilized for fiscal year 1973–76 for $1,600 level are from the Senate Finance Committee hearings. They were projected into the other levels, a 3.5 percent increase was assumed for fiscal year 1977, and 3.0 percent for fiscal year 1978–82. The chart also makes the assumptions made in exhibit 3.

EXHIBIT 5.—LIKELY TAXES 1971–83

[In billions of dollars]

	11 percent GNP	12 percent GNP	13 percent GNP
1971	[1] 118.4		
1972	[1] 130.4		
1973	140.4	153.2	166.0
1974	151.6	165.2	178.8
1975	163.7	188.5	203.3
1976	176.8	192.9	209.0
1977	190.8	208.2	225.6
1978	206.1	224.8	243.5
1979	222.6	242.8	263.0
1980	241.6	263.6	285.6
1981	260.1	284.6	308.3
1982	281.8	307.4	333.1

[1] Estimate.

By Mr. CRANSTON (for himself and Mr. TUNNEY):

S. 2440. A bill to amend title 23 of the United States Code to authorize construction of exclusive or preferential bicycle lanes, and for other purposes. Referred to the Committee on Public Works.

BICYCLE TRANSPORTATION ACT OF 1971

Mr. CRANSTON. Mr. President, I introduce today, for appropriate reference, a bill called the "Bicycle Transportation Act of 1971." I am pleased to have Senator TUNNEY as a cosponsor of this proposal.

The bicycle is currently enjoying the biggest wave of popularity that has occurred at any time in its 154-year history. Environmentalists are praising the bicycle as a solution to one of our most pressing pollution problems: the internal combustion engine. It has been said, in fact, that the bicycle is the only known means of transportation that doesn't pollute—and that includes the horse.

Health enthusiasts have turned to the bicycle as a means of exercising the heart and maintaining general fitness. Since Dr. Paul Dudley White first recommended that President Eisenhower make regular use of the bicycle to build up his heart, doctors have increasingly turned to the bicycle as a means of counteracting the unhealthy aspects of our sedentary way of life. Regular bicycling, as a matter of fact, has been found to aid our digestion, aid the nerves by improving sleep and maintaining equanimity and sanity, aid the lungs through good tone of the diaphragm, and aid the heart by improving circulation.

Now we find a new trend in the use of the bicycle, one which I find most encouraging: the bicycle as transportation. Increasingly, urban dwellers are turning to the bicycle in an effort to escape traffic congestion and to avoid downtown parking woes. All over the Nation, in communities of all sizes, efforts are currently underway to develop bicycle transportation systems that will augment and improve existing modes of intracity transportation. Rush hour races among automobile, bus and bicycle commuters in several cities have focused attention on the advantages of the bicycle: it is fast, clean, healthy, and easy to park.

Already, some 15,000 miles of bike paths are in use, including the 332-mile Wisconsin bikeway that stretches from the eastern edge of Wisconsin at Lake Michigan to the Mississippi River. San Francisco has recently opened the Golden Gate Bridge to cyclists. New York City is investigating ways to make the bicycle a viable alternative to current modes of transportation. The Secretary of Transportation, John Volpe, has announced that his Department is "excited about bicycles," and he has expressed his intention to make Washington, D.C., a model city for bicycles. Palm Springs, Calif.; Lincoln, Nebr., Chicago, Boston, and Buffalo, N.Y., all have in common the development of bicycle transportation networks. The Bicycle Institute of America, based in New York City, estimates that bikeways are opening in cities across the Nation at the rate of 100 a month.

Perhaps the best known example of an intracity bicycle transportation network is the one instituted in Davis, Calif., in 1966. Probably no other city in the Nation has as high a proportion of its citizens owning and using bicycles as a regular means of transportation. In a city of 24,000 citizens, there are approximately 18,000 bicycles. It has been found that on one heavily traveled street in Davis, bicycles represented 40 percent of all traffic. During the rush hour, 90 percent of all bicycle riders were adults. While a number of features have contributed to the success of the bicycle in Davis—the presence of many students attending the University of California at Davis, the flat terrain, the mild weather, and the wide streets—it has been well documented that the major reason for the success of the bicycle is the existence of a safe, carefully designed bicycle commuter system.

Mr. President, despite all the interest in bicycle transportation and the exciting developments I have just mentioned, it is clear that the potential of bicycle transportation cannot be realized without the necessary environmental support system. Just as highway building spurred the automobile industry, construction of bikeways is expected to boost bicycling. We need to develop and construct special bike facilities and regulations, based on the unique requirements of the bicycle and its relationship to the overall intracity and intercity transportation network.

The bill which I am introducing today is identical to H.R. 9369, introduced by Congressman EDWARD KOCH on June 23, 1971. It would allow States and communities to use Federal highway trust fund money to develop bicycle commuter systems. It would provide Federal aid for the construction of exclusive or preferential bicycle lanes, or paths, bicycle