

WELFARE

Making a better choice on our social safety net

By Jim Gray

This newspaper recently editorialized on the need to get serious about welfare reform. The following proposal would not only address welfare reform, it would also address our broken, unfair and indecipherable income tax system as well as our dire homeless situation.

To begin, I was in the Peace Corps, which I mention to show that I care about people. So I believe we should have a safety net for our people. Not because we have to, because we don't — we have no legal obligation to support anybody! But we will because we choose to — because that is who we are. What do I believe the safety net should look like? It should combine a Federal Graduated Flat Tax with the "Negative Income Tax" proposed by Dr. Milton Friedman.

The flat tax means, with these numbers provided only for purposes of illustration, that no one will pay any federal income taxes on their first \$30,000 of earnings: not you, me or Bill Gates — and all differentiations between earned and interest income and capital gains would be dissolved. Then for every dollar earned between \$30,000 and \$100,000, each person would pay 11 cents to the government. No deductions — you can spend your money however you wish! For those fortunate to earn between \$100,001 and \$500,000 in a year, they would pay 19 cents of each of those dollars to the government, and those blessed like Kobe Bryant and Elon Musk would pay 29 cents for every dollar they earned above \$500,000.

So now what about the poor? Everyone in our country who is 18 years of age or older and is either a citizen or has a green card who earns no money would receive a stipend from the federal government of \$15,000 per year — probably broken into monthly payments of \$1,250. It would not matter if they had lost their jobs to a robot, were students or were just plain lazy. Then for every dollar they earned up to \$30,000 they would lose

50 cents of that stipend. This means they would always have an incentive to earn the extra dollar. (And, as all sophisticated people know, incentives matter!) Thus \$30,000 would be the break-even point at which people would receive no stipend but pay no taxes. Then we would eliminate all other forms of welfare — but with the understanding that some extra provisions would be made for people with truly special needs.

Although certainly not perfect, this proposed system would be much more efficient, fair and transparent. And not only would it make the amount of taxes we and everyone else pay abundantly clear, it would also make it clear when politicians were raising or — imagine this, lowering — our taxes.

In addition, this proposed system would also come close to resolving the homeless problem. How so? Because if those people had \$1,250 in their ATM accounts each month, the free market would quickly respond by making low-cost room and board facilities available to fill that funded demand. As Dr. Friedman said, the difference between the poor and those who are better off is that the poor don't have money. So give them some money. But what if they had mental health or alcohol or other drug addiction problems? Well, if they need a conservatorship or drug treatment of some kind, provide it. But those are different issues.

Yes, to some degree this would be a "nanny state" program. But the reduction in fraud, attempts to "game" all of these systems and in administrative and enforcement costs would be both staggering and satisfying. So employing this proposed system would be a far better than what we are doing now, and at the same time it would reflect our values.

Retired Judge James P. Gray, Orange County Superior Court, and the 2012 Libertarian candidate for vice president, along with Gov. Gary Johnson as the candidate for president.