So far we have described and analyzed the redistribution system in the United States, which is similar to that found in most of the world. Although I suppose that my prejudices have not been completely concealed, I have tried to make the discussion up to this point scientific rather than purely normative. In this chapter, however, I would like to discuss the kinds of reforms that we can aim for. I will try to avoid making my own values omnipresent and assume that we are attempting to maximize values that, I believe, are very widely held. These values are to be charitable, to some extent, but otherwise to try and have as wealthy and efficient an economy as possible. I will have nothing to say on the degree to which we should be charitable, although I have already expressed my opinion that most people are willing to give away less than five percent of their income, and this opinion will remain beneath the surface in this chapter. Those who want to give away more than five percent or those who object to giving away more than .05 percent will, however, be able to make the appropriate adjustments.

Let us begin with the charitable component of income redistribution. To redraw an earlier figure, Figure 12.1 shows the population arrayed from left to right from the poorest to the wealthiest. As a simplification I again assumed that, arranging in this order, we would obtain a straight line, which in this case is line \( l \). We have some minimum living standards that we think people should not fall below, which I shall temporarily assume is line \( CZ \). The net social cost, if we could simply supplement existing incomes by subsidies to the poor, would be the shaded triangle. In practice, however, people who are guaranteed an income of \( C \) and who have less net income are probably going to stop work unless we have elaborate administrative procedures to prevent them. Some possible procedures were discussed in Chapter 4.

Thus, the tax cost would probably be not the shaded triangle but the total rectangle \( OCZN \). Further, this is not by any means the end of the matter.
Guaranteed an income of $C$ without working, some people who were obtaining a higher income by working would choose to take the lower income with leisure. In this diagram I have assumed that group is the people whose incomes lie below $C'$. If this is so, then society would lose the production of the triangle $OXYN'$ and pay out in taxes the rectangle $OCZ'N'$. If we could somehow make certain that the people we are subsidizing continue working and we only have to make up the difference between their product and the subsidy, then the total cost to society would be only the triangle $OCZ$. It is obvious that we can guarantee a higher minimum income with the same tax expenditure if we can assure that people whose income is supplemented do produce whatever they are capable of producing.

It seems to me the objective of aid to the poor should be a high level of minimum income together with no leisure for the people who are on whatever subsidy we give. In other words, relief clients should continue working even if they do not produce very much. I do not think this is impossible, although it would require fairly drastic changes in our present practices. In particular, the social workers who today proclaim that they are attempting to achieve this goal would be compelled actually to work hard at it, and indeed we might want to substitute something like the Bentham-Alchian process for the social worker.