

Macro Roundup Article

Headline: [America Pays a High Price for Low Wages](#)

Article Link: <https://www.wsj.com/articles/america-pays-a-high-price-for-low-wages-d706894d>

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Tweet: Michael Lind argues that the earned-income tax credit slows productivity growth by subsidizing low-wage employers who in turn don't need to invest in automation.

Summary: We can call the current American labor market system the low-wage/high-welfare model. It is a success from the perspective of employers who get to pay lower wages. It is also a success for some consumers, since lower wages mean lower prices. The losers include taxpayers, the working poor themselves and workers who are not poor but fear poverty. The low-wage model also saps the incentives for technological innovation, because cheap labor so often substitutes for labor-saving machinery. For the 2022 tax year, 31 million American workers and their children received an average of \$2,043 in EITC benefits, for a cost to taxpayers of \$63 billion. That is \$63 billion in taxpayer money that could have been saved if employers had paid those workers a little more each month.

Primary Topic: Unemployment/Participation

Topics: Op-Ed/Blog Post, Theory, Unemployment/Participation, Wages/Income, Workforce

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