Macro Roundup Article

Headline: America Pays a High Price for Low Wages

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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.

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