



No Government Program is Perfect

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I've spilled a [lot](#) of electronic [ink](#) over the [minimum wage](#). It's a bad policy that, though well intentioned, would do more harm than good to the people it is intended to benefit. On occasion I have [pointed out](#) that the Earned Income Tax Credit (EITC) would be a [superior policy alternative](#) to increasing the minimum wage. However, some free market supporters are not fans of the EITC and think it too should be abolished.

Chris Edwards of the Cato Institute and Veronique de Rugy of the Mercatus Center wrote a [report](#) that was highly critical of the EITC and called for its abolition. They raise several points that are worthy of discussion.

First, they say that contrary to [claims](#) that the EITC encourages work, the program does not do much toward this end. "In sum- the overall work incentive effect of the EITC is mixed...". I would say that even if the EITC's effect on work incentives is neutral, it is still superior to increasing the minimum wage, because higher minimum wages will likely [reduce](#) employment.

Second, the authors criticize the EITC as being overly complicated and prone to large errors in making payments to recipients. I agree with this point. The [Government Accountability Office](#) has as well. It's something that policymakers should consider when deciding whether to enact or expand the EITC.

Third, the report says that paying for the program would force tax increases, thus damaging the economy. It's true that raising taxes would damage the economy, but are tax increases the only way to pay for an expanded EITC? The first place I would look to as a way to pay for an expanded EITC would be to cut spending on other welfare programs. The main purpose of the EITC is to alleviate poverty for working families. If recipients are no longer in poverty, then they should need fewer welfare benefits. Therefore, before raising taxes to pay for an expanded EITC, how about cutting welfare spending?

Overall, this report does highlight important issues regarding the EITC. It is clear that the program is not perfect, but it does deliver [positive benefits](#) to recipients. I wonder—if the authors had to choose between increasing the minimum wage or expanding the EITC, which would they choose? Despite its issues, I still think expanding the EITC is a better policy option than increasing the minimum wage.

About the Author



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Michael Rathbone was a policy researcher at the Show-Me Institute. He is a native of Saint Louis and a 2008 graduate of Saint Louis University, where he earned a bachelor of science degree in biomedical engineering.

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