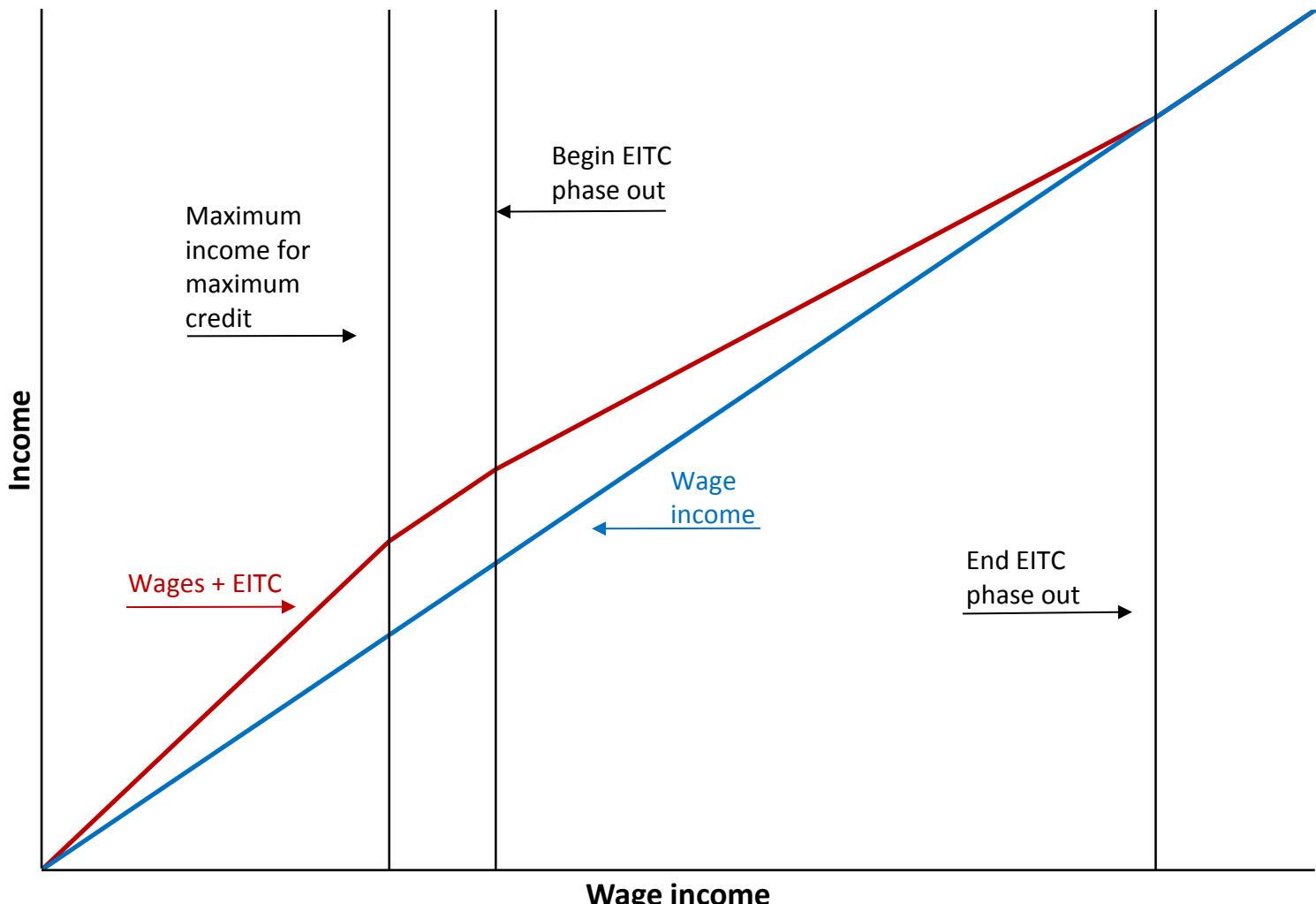




EITC: The Right Policy at the Right Time

Rebecca M. Blank
University of Wisconsin at Madison

How the EITC Operates



	Max benefit	A	B	C
Single, no children	\$496	\$6,480	\$8,110	\$14,590
Single parent w/1 child	\$3,305	\$9,720	\$17,830	\$38,511
Single parent w/2 child	\$5,460	\$13,650	\$17,830	\$43,756
Married w/2 child	\$5,460	\$13,650	\$23,260	\$49,186



Advantages of the EITC

1. No work/benefit tradeoff; instead work incentives
2. Keyed to income, not wages...means well-targeted
3. Employers can't identify recipients
4. Brings people into above-ground economy
5. Biggest supports given to families with children



Disadvantages of the EITC

1. Potential disincentives to reduce hours
(but little evidence this occurs)
2. Marriage disincentives
3. Eligibility runs into middle-income range
4. Leads to gaming in who claims child as a dependent
5. Does little for low-wage workers without children



Right Policy at the Right Time

Just as wages were stagnating/declining for low-wage workers, the EITC began to subsidize them.

It was exactly the right policy at the right time.
Lucky or smart? A little of both.

The EITC remains one of our most important anti-poverty tools.