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OPINION | COMMENTARY

The Bad Science Behind the Child Tax Credit Expansion

The National Academy of Sciences made an elementary error that could cost more than a million jobs

By Robert Doar

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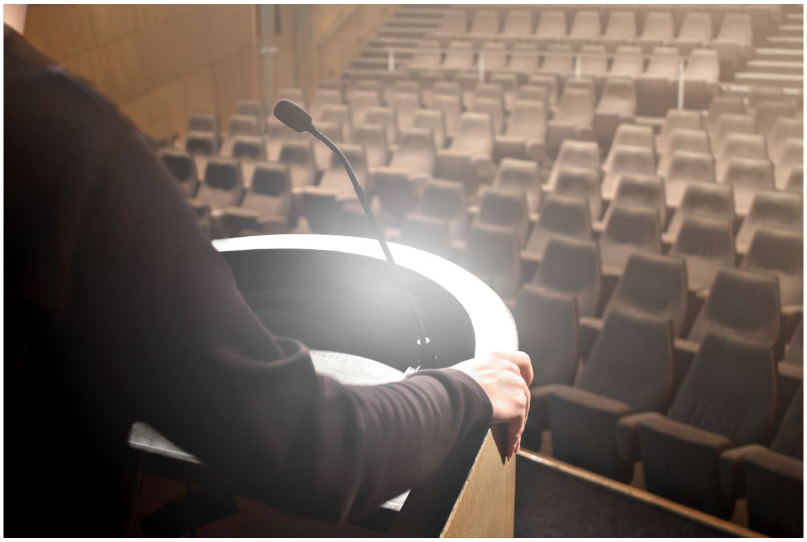

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Here is a story that helps explain why people have lost trust in public-policy experts:

As someone who spent almost 20 years managing social-service programs in New York City, I met recently with a Democratic senator on the proposed child tax credit.

I mentioned that the credits would be paid monthly by the Internal Revenue Service to parents regardless of income or employment status; that the checks would be in addition to other benefits, such as food stamps, that are already provided without any concern for employment; that the new credits were a direct rejection of President Clinton's welfare-reform policies; and that they would undermine the ability of state and local agencies to help struggling people find work or address other challenges. Then I said, "And of course, this new policy will reduce employment among single parents."

That's when the senator objected. Oh no, he said, the child tax credit will have no impact on employment among its recipients. That's what his experts had told him.

I cited scholars who had told me that employment would be reduced, and the senator referenced his academics who said it wouldn't happen. We were stuck.

Why was this normally thoughtful and well-informed senator so sure he was right? Sadly, he was relying on a report by the National Academy of Sciences, which contains a significant error.

Commissioned by congressional Democrats in 2015 and released in 2019, the report contends that a child allowance, similar in size and cost to the one currently proposed, would cut child poverty by about 40% and cost roughly 150,000 jobs at most. The report's authors asserted that such a tax credit was the single most effective reform to reduce child poverty among all the many policy options considered, coming close to achieving all on its own the 50% reduction in child poverty the report's commissioners sought.

The influence of the NAS report grew in September 2021, when a group of 462 economists cited it in a letter supporting the child tax credit expansion in President Biden's reconciliation package. The letter asserted: "The panel of experts who reviewed this issue for the National Academy of Sciences concluded that a universal child allowance would have a negligible effect on employment."

But both the NAS and the scholars' letter were wrong. Worse, they should have known it. A new paper by economist Bruce Meyer and his co-authors at the University of Chicago makes clear that the NAS report exempted the child allowance from employment-effect calculations it had applied to other proposed policies.

The existing child tax credit encourages work by growing in size as earnings increase for low-income households; the Democrats propose to remove that incentive. With other policy proposals, the NAS researchers simulated what would happen without the incentive to work. But in the case of the child allowance, they simply ignored the effect of the incentive's removal.

By omitting this important effect, the NAS study vastly underestimated the number of people who would leave or stay out of the workforce because of a child tax credit expansion like the one congressional Democrats propose. Instead of 150,000 lost jobs, the total number would reach approximately 1.5 million, according to Mr. Meyer and his co-authors.

That uncaught mistake in the 2019 report was so troubling to Mr. Meyer and co-author Kevin Corinth that they recently sent a letter to the NAS asking it to issue a correction. The NAS has not responded.

Rigorous studies make clear that the key to reducing poverty and improving outcomes for children is a combination of work and aid, and that if the government increases aid without a connection to work, it will inherently result in less employment. That's common sense, and it's little wonder that polls show Americans largely disapprove of Mr. Biden's new tax credit expansion. Why were the NAS experts and the hundreds of economists supporting them so oblivious to their obvious error?

It's a larger problem than this one report. Many studies have noted that there is a serious disconnect between experts and the people, and that public trust in scholars is declining. This episode shows why. If you let your policy objectives get in the way of honest empirical research, you undermine your credibility.

The National Academy of Sciences made a mistake, even if it was an honest one. The only thing left to find out is if Democrats will force that error on an unwilling public.

Mr. Doar is the president of the American Enterprise Institute and from 2007 to 2013, he served as commissioner of the NYC Human Resources Administration.