



Another Bad Republican Idea --Personal Savings Accounts Rather than Unemployment Insurance

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I was listening to the Diane Rehm show yesterday when this statement by Chris Edwards, one of her guests, caught my attention.

Edwards: . . . one of the long term solutions here -- and this is what the nation of Chile has done -- have gone to a system of personal savings accounts for unemployment insurance. During working years, you save into these personal accounts. You're unemployed. You draw from your own account.

This would be better than the current system for one reason is that the current system doesn't cover a lot of people. It doesn't cover part-time, temporary workers. It doesn't cover self-employed people. It doesn't cover people who voluntarily quit or were fired. There's a lot of people who are not covered. If we went to a system of personal accounts where you save for your own possible unemployment in the future, everyone would be covered under this simpler system.

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The system Edwards is proposing would dismantle the government social safety net of unemployment insurance which is funded by employers and would shift the burden onto employees to save for their unemployment.

Throughout the program, Edwards seems to be under the illusion that many people have extra money to put into savings but they lack the will to do so. He seems to have no clue that many workers simply cannot make ends meet. Once they pay their bills including housing, food, utilities, and transportation, there is simply no money left. And in many cases where the workers are making minimum wage or not much above it, their wages are not enough and they are forced to use credit cards. And all of this assumes that they face no unexpected expenses, such as health care bills, or repairs to their house or car, which will set them even further behind.

Edwards, who the program lists as an "economist and editor of DownsizingGovernment.org, Cato Institute", seems very out of touch with the reality of many working people. Later in the program, he indicates that many unemployed people could find work if they simply packed up and moved to where the jobs are:

Suppose you were in Nevada and you were a construction worker -- and they had a huge housing bust -- so you're an unemployment construction worker. You've got to make a tough decision like -- you know, construction is a volatile industry. Maybe I need to move to North Dakota in the oil industry that's

booming or maybe Texas...

. . . Well, Americans make those sorts of decisions all the time. They're constantly moving around states. It's a good thing that people move to where the jobs are . . .

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This answer lacks a basic understanding of reality. You can't just pack up and move if you own a home. It would involve selling your house and until you do, you would be responsible for paying for both your current mortgage and your rent in your new location. If you have a lease, you can't just move out in the middle of your lease, without risking being sued by your landlord. And it costs money for movers to pack up and move your stuff. And if you are married or in a committed relationship, you probably can't afford for your spouse or partner to just quit his or her job to follow you to a new location with the hope that you will find a well paying job.

Fortunately, the host Diane Rehm, understands reality, as she has lived in the real world.

I want to tell you a very brief story. When my husband and I were first married in 1959, we had our first child David in 1960. He kept getting the croup. And a doctor came to our small house and said, you need to get storm windows for this child's bedroom. We did not have the \$50 to get those storm windows. It happens when there are no alternatives.

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I hope that this is the last time that I see someone on TV or the radio proposing the elimination of unemployment insurance. But given the radical nature of some of the ideas put forward by the Tea Party, I suspect that it won't be the last time.