



Opinion

It's Time for Congress to Stop Paying People Not to Work

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Do we really want paying people not to work for 99 weeks – nearly two years – to be a permanent feature of the American economic system? Is that what the American people voted for in the historic landslide election of 2010? If not, then why are Republicans poised to – for the first time since the election – extend this program?

The economic case for nearly two years of [unemployment](#) benefits is extremely weak. While supporters tout the demand-side effect of the benefit checks being spent, they ignore the much larger supply-side effect of creating a significant disincentive for work and consequently for economic production. The same Keynesians who brought us trillions of failed stimulus and a mountain of debt tell us the paying people not to work is a good way to grow the economy. Common sense – and the data – say otherwise.

As the Cato Institute's Alan Reynolds [eloquently explained](#): “Whether the government pays people to work or to stay on the dole, it has to get the money by taxing, borrowing or printing money — all of which reduce real income and employment [opportunities](#) in the private sector. ... If every dollar of unemployment benefits really added \$1.61 to real GDP, then putting everyone on the dole would make us all much richer.”

In reality, [economists have shown](#) that unemployment benefits actually increase unemployment because they increase the average duration of unemployment for individuals. There is less incentive to search for new [employment](#) when the government pays people as much as 60 percent of their previous salary to do nothing at all.

It should be no surprise then that since the extended benefits were signed into law, the median duration of unemployment has [more than doubled from 9.6 weeks to 20.8 weeks](#), and the unemployment rate has [remained stubbornly high](#) for months on end.

Not all of this can be attributed to overly-generous unemployment benefits, of course, but they certainly aren't helping. And given that more people are staying on government benefits for longer periods of time, federal spending on [unemployment compensation](#) has [nearly quadrupled from \\$45](#)

[billion in 2008 to \\$160 billion](#) in 2010 – all funded by higher taxes or federal debt, which takes resources out of job creators' hands.

House Republicans will have their first opportunity to end this costly giveaway. To win, they need only to do nothing; the 99 weeks of unemployment are set to expire at the end of the year, automatically returning to the standard 26 weeks of unemployment (some states pay more).

Unfortunately, it looks like most Republicans missed one of the key messages of the landslide 2010 election – no more expensive giveaways.

Last Thursday The Washington Post [reported](#) that House Republicans plan to renew the expiring benefits program in a larger package that also includes an extension of the [Social Security](#) payroll tax cut. Perhaps it will be similar to a bill introduced by their Republican counterparts in the Senate, which extends the benefits but subjects them to means testing. Regardless, it will mean continuing to pay many people for nearly two years for not working.

This is a key test for the House Republican majority: will they listen to the small-government mandate that swept them into office? Or will they succumb to political pressure and advance a disastrous [economic](#) policy?

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