

## **Liberal economic mythology on unemployment benefits**

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How can we ever expect America's younger generations to preserve America's greatness when the president of this nation keeps preaching damaging economic myths and misguided moral lessons?

It's one thing for our elected representatives to express compassion for those facing difficult financial circumstances. It's another for them to elevate the receipt of unemployment benefits and other forms of government dependency programs to a virtue. And it's yet another for them to justify these wrongheaded policies with false claims that they actually improve conditions when they make them worse.

President Obama's policies of expanding the government and his practice of punishing work and rewarding non-work are creating a permanent drag on the economy and jobs and harming people in the long run far more than helping them.

But Obama persists in his propaganda. Just this week, he made the bizarre assertion that extending unemployment benefits "actually helps the economy, actually creates new jobs."

House Minority Leader Nancy Pelosi made the similarly ludicrous claim in December 2011 that extending unemployment benefits would add "600,000 jobs to our economy." Oh, ho, ho, it's magic!

Have you ever noticed that pointy-headed liberal academics and unctuous politicians espouse sophisticated-sounding theories to prove what common sense tells us is surely wrong?

Economists long ago concocted elaborate theories to enable their socialist inclination toward expansive government, such as that increasing government spending would trigger a multiplier

effect on the economy and stimulate economic growth and jobs. Sadly, their currency is chalkboard calculations and predictions, not empirical data.

Obama trotted out these theories to promote his colossally wasteful stimulus package, his various infrastructure plans and his green energy boondoggles. Despite undeniable evidence that they have all failed and that his economy continues to tank, he acts as though his failures vindicate him and we are too stupid to know the difference.

As much power as Obama has unconstitutionally arrogated to himself, he still isn't powerful enough to create something out of nothing. When he increases deficit spending, he has to get those phantom greenbacks from somewhere, and usually it's from the private sector, which he is smothering. For every dollar he injects into the economy, he drains at least a dollar out of it. It doesn't take a rocket scientist to realize that if these magical economic elixirs worked, we would be in the middle of the greatest economic boom in our history. Case closed.

Alan Reynolds of the Cato Institute addresses the claim that extending unemployment benefits "produces and sustains jobs." What he found is that academics cite one another to bolster their case but that they are in fact citing theories and estimates about "fiscal multipliers" rather than examining their actual effect on the economy. For example, one sociologist who supports extending unemployment benefits cited estimates from Mark Zandi of Moody's Analytics that "every dollar spent on extending unemployment insurance benefits produces \$1.61 in economic activity."

Reynolds says there are two problems with the theory. The first, which Obama can't very well deny because it comes from economists in his own administration, is that "extended unemployment benefits raise the duration and rate of unemployment."

The second is that the assumptions about "fiscal multipliers" used in Zandi's model are based on theory rather than evidence.

Reynolds points to contemporary research showing that increases in deficit spending can actually have a negative impact on growth. The so-called multiplier for deficit spending ranged from 0.4 to 0.6, "meaning a dollar of added federal debt added far less than a dollar to (gross domestic product)."

James Sherk of The Heritage Foundation agrees that "extending either the amount or the duration of (unemployment insurance) benefits increases the length of time that workers remain unemployed." It encourages unemployed workers to stay out of work longer to collect benefits; it encourages employers to wait longer to rehire laid-off workers; and it does little to increase consumption. In short, it creates no economic stimulus.

Simple logic also confirms that when you pay someone not to work, you disincentivize him to work. In my own personal experience, I have talked with one person who told me he wasn't looking for work because his unemployment benefits made looking for work unattractive.

The real problem facing Americans is not insufficient benefits but a persistently weak economy caused by Obama's oppressive policies. Gallup polling shows that the labor participation rate, which has been abysmal for most of Obama's tenure in office, is declining to a two-year low.

Obama brags about how much he cares, but if that were true, he'd abandon his selfish, stubborn attachment to his failed ideas and quit doing everything in his power to keep people out of work.

As Milton Friedman observed, "the repeated failure of well-intentioned programs is not an accident. It is not simply the result of mistakes of execution. The failure is deeply rooted in the use of bad means to achieve good objectives."

In Obama's case, I wouldn't even concede that he always has good objectives, as witnessed by his endless class warfare. That aside, if he really cared about the plight of the unemployed, he'd release his stranglehold on the private sector and let it do its "magic."

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