

Tenth Amendment Center

Unemployment Insurance System Fosters Unemployment

Written by: Tad DeHaven

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The *Wall Street Journal* [reports](#) on rising state and federal unemployment taxes at a time when unemployment remains high. Keynesian economists keep telling us that unemployment benefits have a stimulative “multiplier effect” on the economy. Unfortunately, that sticky little problem of the government having to suck resources out of the economy to pay for this alleged stimulus keeps getting in the way:

The higher tax tab could discourage hiring. 'It's just one more cost to add,' said Douglas Devnew, vice president for finance and administration at Trumpf Inc., a Farmington, Conn., manufacturer. 'Companies like ours are going to think that much harder if we need more folks.'

Yes, that's only an anecdote. But I find anecdotes to be considerably more indicative of reality than, say, the fancy economic models favored by the White House that continue to erroneously predict growth and reduced unemployment if the government spends more of the private sector's money.

If anecdotes aren't your thing, check out this excellent Cato essay on the [unemployment insurance system](#). Critics of a government administered unemployment insurance system are often accused of being callous toward the plight of those seeking work. But the essay's examination of the history of unemployment insurance, and the ill-effects and failures of the government-run system indicate that it's the supporters of the government-run system who should be on the defensive.

[Unemployment Insurance System Fosters Unemployment](#) is a post from [Cato @ Liberty – Cato Institute Blog](#)