



Pelosi Economics

By TOM GANTERT | Aug. 8, 2010

Nancy Pelosi, the U.S. Speaker of the House, recently said that unemployment benefits are creating jobs faster than practically any other program.

"It injects demand into the economy," Pelosi said. "It creates jobs faster than almost any other initiative you can name."

Some public policy experts and national media writers sound off on Pelosi's comments:

Tad DeHaven, budget analyst, Cato Institute

"When you subsidize something, you get more of it. Unemployment benefits subsidize unemployment, which is one reason why the nation's jobless figures remain stubbornly high. The idea that unemployment benefits are good for jobs growth is bizarre. Once again, government cannot create wealth - it can only redistribute it. Unemployment benefits come at the expense of businesses, workers, and taxpayers. Sorry, Madame Speaker: there's no such thing as a free lunch. Not even in that magical fantasyland called Washington, DC."

Michael LaFaive, director of Morey Fiscal Policy Initiative, Mackinac Center For Public Policy

"Actually, the incentives are such that unemployment benefits slow the rate at which people return to work. This is pretty common knowledge amongst public finance scholars. Moreover, someone has to pay for those benefits, so any "stimulus" created by such spending will at some day -perhaps soon -be offset by the anti-stimulus of footing the bill."

Ken Braun, managing editor, Michigan Capitol Confidential

Another famous California politician, Ronald Reagan, once observed that government's approach to the economy is as follows: "If it moves, tax it. If it keeps moving, regulate it. If it stops moving, subsidize it."

Extending unemployment benefits is subsidizing more of that which does not move.

In more normal political eras, almost everybody understood this. That's why Reagan's barb was effective: It forced critics to concede that each new spending proposal was costly to the economy, and pushed them to argue that their idea had merit on other grounds.

With unemployment benefits, the intended merit is helping individuals who have lost a job stay afloat while they find

new work. The proper debate in normal political times would be over how much help can be extended - and for how long - given the cost of paying people to produce nothing and the *negative* impact on the economy of doing so.

"If it moves, tax it. If it keeps moving, regulate it. If it stops moving, subsidize it."

It is a measure of how far we have strayed from "normal" political discourse that the current Speaker of the House would read this quote and not understand the sarcasm.

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