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Cato & CAP Debate Unemployment Benefits

Last night on PBS' Nightly Business Report, Jeff Miron of the Cato Institute and Christian Weller of the Center for American Progress debated the extension of unemployment aid with PBS' Tom Hudson.

With the decision up for a vote in the Senate today, both agreed that it will pass, likely with a slim margin. And they both agreed there needs to be a limit to unemployment benefits counterbalanced by compassion, although they weighted each side of that equation a little differently.

But from the [transcript](#) below, the questions about impact are the serious points of contention.

HUDSON: ...We saw earlier in Darren's piece from Bill Boteler, \$290 a week. That doesn't go very far. What do we know about the economic impact of these checks?

WELLER: We know that these checks make a real difference obviously in peoples' lives, those who are hurt the most by the current crisis. But in the aggregate, we're talking about \$30 billion. The money will be spent very quickly because these are people who have been struggling for quite some time. You're extending the unemployment benefits. The money won't be saved. It will go very quickly to consumption. It will boost retail sales which is the big worry of businesses at this point that they may fall off. Forty percent of businesses worry about sales not being high enough. That's the biggest worry for them. So it will help the private sector and will protect the private sector momentum that we've seen that since the end of 2009. It's strengthened the recovery to help us continue building jobs in the private sector.

HUDSON: Jeff, how about that? In order to stimulate job growth, you need folks spending money. At least this gets people to have some dollars in their pocket to spend.

MIRON: I think it's a very unpersuasive position. First of all, the check that we're sending the unemployed came from somewhere. They came from the taxes of other people who are for the most part employed. So if transferring money to these people who are unemployed helps stimulate the economy, then taking it away from the people who are paying the taxes to pay for it de-stimulates the economy. Overall it's hard to see how that is on net a beneficial thing. More broadly, the fact that we're consistently trying to promote sort of redistribution in helping people rather than trying to create rules and a system which is productive gives the private sector pause. It makes the private sector think we're not getting the deficit and the debt under control. It makes them think we're not worry about productivity. That's in the long term much worse for people having jobs and being employed than the temporary aspect related to the recession.

HUDSON: Jeff, it's estimated that since the extended unemployment benefits expired back in early June, about \$3 billion has not been spent. Over that same month interest on the U.S. debt in June was \$107 billion. We seem to be, you know, talking about spending pennies or saving pennies when we're spending dollars.

MIRON: I totally agree. It's a very small amount of money. The fact that it's a very small amount of money

also means that any possible effect in stimulating the economy is also very trivial because we're talking about a very small amount of money. The broader thing is it creates the wrong incentive. There's clear evidence that people who are unemployed tend to leave unemployment just before their unemployment benefits run out. It's not just a question -- it's not the right way to think about it -- are there jobs? The right way is are there jobs at what wages? If people lower their wage demands, if they offer to take say their old job for 50 percent of what they were getting, there would be a lot more jobs out there. That's the adjustment that needs to happen in many cases. But unemployment insurance and especially very, very long-term unemployment insurance impedes that kind of adjustment.

HUDSON: Guys less than a minute left. Christian, I want to address that job demand issue.


WELLER: That's just simply robbing Peter to pay Paul. If we lower our wages to create more jobs, ultimately the overall consumption won't change and sales won't change. The important point is that unemployment benefits are incredibly targeted, very good. Benefits for the economy, every dollar spent on unemployment increases economic activity, \$1.6. So it makes economic sense. It helps the most vulnerable and ultimately boosts economic growth. I think this is the time is right at this point to extend the unemployment benefit.

Read the full transcript at [Nightly Business Report](#).

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