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Joel Mathis/Ben Boychuk: Do jobless benefits discourage work

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By Joel Mathis Ben Boychuk

WASHINGTON

Do unemployment benefits “spoil” Americans and keep them from seeking real jobs? Prominent Republicans seem to think so. Sharron Angle, who is challenging Senate Majority Leader Harry Reid for election in Nevada, made the case recently. “You can make more money on unemployment than you can going down and getting one of those jobs that is an honest job, but it doesn’t pay as much,” she said. “We’ve put in so much entitlement into our government that we really have spoiled our citizenry.”

Is Angle right? Or is the jobless crisis so persistent that continued government intervention is needed? Joel Mathis and Ben Boychuk, RedBlueAmerica columnists appearing on Scripps Howard News Service, debate the issue.

JOEL MATHIS

Let’s forget political philosophy for a moment and focus only on math: At the moment, there is exactly one open job in America for every five people trying to find work. Even if every available spot were filled, 80 percent of the unemployed — millions of Americans — would still be unemployed. That’s not because they’re spoiled or lazy or intentionally unproductive. They’re just unlucky.

Today’s critics of unemployment insurance suggest the system takes money from productive citizens and gives it to the unproductive.

Perhaps. But those “productive” citizens are not just throwing money down a rat hole — they’re buying civilization.

Look back at the origins of unemployment insurance. The Great Depression hit America in 1929, and unemployment rates soared far beyond the current crisis. In 1932, a “Bonus Army” of 17,000 unemployed World War I veterans marched on Washington, D.C., and were dispersed with deadly force. Capitalism and the American system stood at the brink.

The Social Security Act of 1935, which created our modern unemployment-insurance system, helped change that. Workers and their families suddenly had breathing room when work disappeared. They were able to pay their mortgages, buy food and keep participating in the economy. That made them less inclined to act desperately, and the “trickle up” effect helped keep other merchants in business.

Capitalism survived and thrived.

Our 21st Century economy isn't quite as dire, but the lessons from that era are still true. And it's reprehensible that Republicans like Sharron Angle treat hard-luck Americans like they're parasites.

BEN BOYCHUK

Sharron Angle might have made her point differently, but she wasn't wrong. What's true of corn syrup and ethanol, sadly, is true of joblessness. When government subsidizes anything, you get more of it.

Extending and raising unemployment insurance benefits extends and even raises unemployment. A Federal Reserve study estimated the extension of unemployment benefits during the late recession raised unemployment by at least one percentage point. Cato Institute economist Alan Reynolds argues that the 2009 stimulus law actually raised unemployment by 2 percentage points.

This isn't a question of removing the safety net but rather limiting it. The cap on unemployment benefits is 99 weeks — almost two years. Two years ago, the limit was 26 weeks.

Congress would make “temporary” assistance all but permanent by raising the cap again. How does that encourage people to work? How does that encourage employers to hire? Democrats in Congress say unemployment benefits help stimulate the economy. But as not as much as real work and investment do. To the extent the guarantee of a benefit check prevents some people from returning to the workforce because they pass on “less-than-ideal” employment, that hurts U.S. productivity and economic growth.

Where there is predictability, there is growth and investment. What we have now is fear and uncertainty. When employers do not know how much the federal government's health-insurance reform is going to cost next year, or worry what Congress may do next week — extending unemployment benefits adds costs, after all — they have every reason to hunker down and weather the economy without hiring or expanding very much.

This isn't about hard luck but bad policy. Extending unemployment benefits beyond the current 99-week cap perpetuates an ugly economic cycle, and does workers no favors.

Ben Boychuk and Joel Mathis blog and podcast every week at <http://www.freedompub.org> and <http://joelmathis.blogspot.com>.