

## “Obamanomics:” Stimulating Unemployment, Inflation and Despair

By [Howard Rich](#) 9:37 AM 08/18/2011

### ADVERTISEMENT

Having failed to meaningfully restrain government growth during the recent debt ceiling debate, America’s fiscal leaders are now preparing to push taxpayers even further below the waves. Meanwhile the U.S. [economy](#) – after trillions of dollars in government “stimulation” – is teetering on the brink of yet another full-blown recession as a debt crisis on the other side of the Atlantic compounds our government’s glaring lack of sustainability.

Barack Obama’s prescription to this ongoing malaise? A perpetuation of the policies responsible for creating it – more borrowing, more spending and more [debt](#) (as well as a healthy dose of finger-pointing in the direction of anyone opposing him).

Sacrificing “hope and change” on the altar of his own economic failures, Obama is campaigning for reelection against a Congress that just handed him \$2.4 trillion in debt reauthorization – on a bipartisan platter, no less.

Wasting no time, Obama wants to spend \$56.5 billion on yet another extension of federal [unemployment](#) benefits – i.e. incentivizing dependency at the expense of American workers.

The White House claims that every dollar spent on unemployment benefits will yield \$1.60 in expanded economic activity – but what Obama and his fellow Keynesian pump-primers are ignoring is the fact that perpetual “stimulation” of the welfare state only stimulates additional government dependence.

“It is well established that **generous unemployment benefits can increase the duration of unemployment spells and the overall level of unemployment,**” a 2007 report from the Organisation for Economic Co-operation and Development (OECD) noted. “This could have a negative impact on productivity through inefficient use of resources and depreciation of human capital during long spells of unemployment.”[\[1\]](#)

In other words, “when the [government](#) pays people 50 to 60 percent of their previous wage to stay home for a year or more, many of them do just that,” according to senior fellow Alan Reynolds of the Cato Institute.[\[2\]](#)

Meanwhile Federal Reserve Chairman Ben Bernanke – who doled out a scarcely-fathomable \$16 trillion in emergency loans between Dec. 1, 2007 and July 21, 2010 – is also looking to reprise his failed monetary policies in light of the ongoing economic sluggishness. After two failed rounds of “quantitative easing,” Bernanke is toying with the notion of further debasing the American dollar.

Quite correctly, Texas Gov. Rick Perry has referred to such a plan as “almost treasonous.” And while some have criticized Perry’s remark as impolitic, the truth is he was being polite. After all, the only thing that printing money has accomplished is the subsidization of our bailout culture.

At least in Japan they built bridges to nowhere.

“Stimulus spending has been focused on keeping unionized public workers employed,” economist Ed Yardeni explains. “The government’s intrusion into the economy, with its huge deficits and mounting debt, depresses the private sector. Watching the central bank enable it all by purchasing some of the government’s debt is even more depressing. This is why quantitative easing doesn’t work.” [3]

Meanwhile, as a result of the debasement of our currency, workers in the “depressed” private sector are finding the purchasing power of the few dollars they’ve been able to scrape together declining even further – all so an army of bureaucrats can dole out new “benefits” to additional dependents.

Is it really any surprise, then, that more than 6 million Americans – or nearly half of those currently without jobs – have been unemployed for 27 weeks or longer? Or that this level of long-term unemployment – unseen since the post-World War II era – has been sustained for more than a year? Or that it currently takes the average job-seeker more than 20 weeks to find a position – twice the time it took during the 1982-83 recession?[4]

Stimulating failure and incentivizing dependency is no way to grow an economy. Unfortunately, our fiscal leaders seem incapable of grasping this truth and reversing our course.

*The author is chairman of Americans for Limited Government.*

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[1] <http://www.cato-at-liberty.org/can-unemployment-benefits-create-jobs/>, web-accessed 8/16/2011

[2] [http://www.cato.org/pub\\_display.php?pub\\_id=10970](http://www.cato.org/pub_display.php?pub_id=10970), web-accessed 8/16/2011

[3] <http://www.safehaven.com/article/18355/all-qe2-all-the-time>, web-accessed 8/17/2011

[4] <http://www.csmonitor.com/USA/2010/0108/Number-of-long-term-unemployed-hits-highest-rate-since-1948>, web-accessed 8/17/2011

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