



Written by [William P. Hoar](#) on June 22, 2020

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## Correction, Please!

### Liberals Seem Surprised When Incentives Against Work Hurt Economic Recovery

**Item:** *The Washington Post*, in a May 22 front-page article entitled “GOP fights new aid as joblessness skyrockets,” decried: “The Trump administration, top Republicans and powerful corporate lobbyists mounted fresh opposition Thursday to extended enhanced benefits to the growing number of Americans who are out of work, raising the prospect of significant cuts to their weekly checks unless lawmakers act by the end of July.”



*The paper went into details about the extent of the job losses and then noted: “Over the span of nine weeks, more than 38 million Americans have filed unemployment claims across the country because of the impact of the coronavirus pandemic.”*

*Further down in the article and continuing on page 15, the Post said: “Some White House officials and Republicans say the extra payments [\$600 weekly, per a law passed by the Congress in March] are creating a disincentive for people to return to the workforce, potentially holding back the economic recovery.”*

**Item:** *There are multiple endeavors in play that would give the government even more control of the U.S. economy. A Washington Post column on April 11 highlighted one; it was headlined, “Once seen as a fringe theory, universal basic income is now picking up steam.”*

*And, on May 9, the Capitol Hill-based The Hill newspaper reported: “Democrats are rallying behind a plan to give most Americans monthly \$2,000 relief checks during the coronavirus crisis.” Somewhat similar versions are supported by Democrats in the House and Senate. One almost made it into the follow-on \$3 trillion relief bill that Speaker Nancy Pelosi eventually pushed through the House. Sponsored by Progressive Caucus Co-Chair Pramila Jayapal (D-Wash.), it would, noted The Hill, “give every American \$2,000 a month for the duration of the crisis, and \$1,000 a month for an entire year after the crisis ends.”*

*Though that particular effort fell short, for now, other bills lie in wait.*

**Item:** *Radical New York Times columnist Paul Krugman blasted “America’s rush to reopen the economy” in one of his several pieces in mid-May. This one (in the print edition for May 19) carries the not-so-subtle headline, “We Should Help Workers, Not Kill Them.” He calls federal government’s enhanced unemployment benefits “an unheralded success story.”*



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*He praises “the \$2 trillion disaster relief bill enacted in late March,” that “greatly expanded both eligibility for unemployment benefits and the generosity of those benefits.” These “expanded benefits,” in his view, are “increasingly doing what needs to be done.” Yet, according to Krugman, the “expanded unemployment benefits that are doing so much good are set to expire on July 31. That should scare you.”*

*Krugman maintains that “Republicans are totally opposed to extending benefits.” Indeed, he contends, Republicans “want to force Americans to go to work even if it kills them.”*

**Correction:** When the government says it is giving you something for free, those with good sense and experience protect their wallets and purses — because promised statist paradises tend to come with large price tags.

Big Government advocates have admitted that they see the coronavirus and its disastrous impact as a marvelous opening to impose socialism. With this in mind, they are distributing goodly amounts of greenbacks, along with a seemingly perpetual shutdown, in exchange for the livelihoods of millions of Americans. Moreover, and not so incidentally, the plan envisages that leftist leaders wind up with more power.

Let’s take a look at the federal payment of \$600 (each week) that Congress approved for the unemployed; this is in addition to state unemployment benefits, which differ according to state. The average state benefit is \$463, making the total benefit of \$1,063 (this lasts until the end of July, at least as of now). This is the monetary equivalent of a job paying around \$26 an hour, or more than \$55,000 a year. The recipient gets the payout without having to brave the workplace.

As Washington, D.C., lawyer Han Bader has written, some employees have actually been “asking to be laid off, because being unemployed pays better than working.” That is ironic, as Bader said in a piece published this spring by the Foundation for Economic Education (FEE),

because the coronavirus relief legislation was supposed to prevent layoffs. In fact, it earmarked \$350 billion for loans to small businesses, to enable them to keep their employees on the payroll. The loans can be forgiven if an employer keeps its workers and uses at least 75 percent of the loan for payroll costs.

So the federal government is simultaneously encouraging both employment and unemployment.

## **That’s your tax dollars at work.**

For now, distributing enhanced unemployment benefits is a temporary situation. Yet, if the proponents of guaranteed universal income or other giveaways get their way, one can only guess at the outcome.

Yes, incentives (and disincentives) do matter. *Reason’s* John Stossel recounts the experience of the CEO of an Arkansas sawmill who has been offering jobs that pay \$800 dollars a week. In Arkansas, however, the combined state and pandemic federal payments can reach \$1,051 a week. “We have not seen an application in weeks,” according to Steve Anthony, the CEO of Anthony Timberlands.

Higher unemployment is exactly what Democrats (led by Speaker Nancy Pelosi) in Congress want. The HEROES (Health and Economic Recovery Omnibus Emergency Solutions) Act, which passed the House (though it faces considerable GOP opposition in the Senate), would extend the current \$600 weekly bonus through January 2021. By then, they hope, there will be a new president — largely because the



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economy was effectively sabotaged.

Over a nine-week period during the height of the coronavirus crisis, more than 38 million Americans filed for unemployment benefits. Usually, unemployment benefits replace perhaps a third or a half of a worker's prior earnings. This time, Washington threw much more at the problem. And the added federal monetary disincentive (at least in the short run) does not bode well for an economic recovery.

A new working paper from economists at the University of Chicago finds that about two-thirds of American recipients are making more while unemployed than when they worked. That study was cited by the *Wall Street Journal* on May 21, noting,

One in five unemployed workers will make twice as much not working while the bottom 10% — generally part-timers — will collect three times more.

The economists also examined benefit differences by state and industry. They estimate that the median laid-off retail worker now makes 42% more unemployed. "Janitors working at businesses that remain open do not necessarily receive any hazard pay, while unemployed janitors who worked at businesses that shut down can collect 158% of their prior wage," they note.

Little wonder that Representative Kevin Brady of Texas, the top Republican on the House Ways and Means Committee, has said that continuing such bonus benefits from the aid bill that was approved in March would "handcuff" such workers and discourage them from going back to work. And Senator Rand Paul (R-Ky.) said bluntly: "It was a mistake to make it so high to begin with. It would be a mistake to extend it."

The slow reopening of the American economy has exposed stark differences between those favoring freedom and going back to work and those apparently satisfied with authorities locking the nation down until every suggestion of risk disappears. The greater part of the mainstream media is in the latter camp. Accordingly, we see Paul Krugman (usually touted as a "Nobel Prize-winning economist" to validate his latest twaddle) telling his left-wing audience in mid-May that the "basic position" of President Trump and the Republicans "is that thousands of Americans must die for the Dow."

Here is what someone who nearly died for his country thinks of such claims. In a recent column, Representative Dan Crenshaw (R-Texas) — a former U.S. Navy SEAL officer — pointed out that it is "easy to 'prioritize public health' when you work comfortably from home," as do many of the "liberal-leaning college-educated." The "far left," as the congressman said, is "treating the lockdowns and the consequent economic devastation as an opportunity to 'restructure' America into a socialist utopia. So they're in no rush."

The federal unemployment bonus of \$600 per week is just one of the generous presents liberal lawmakers have dreamed up — with those payments coming out of our pockets. Below are some details about the proposed Monthly Economic Crisis Support Act — itself a potential expansion of the \$1,200 checks that were handed out to Americans in March as part of the huge coronavirus response bill.

This legislation, as noted above, is a lavish brainstorm emanating from the offices of Senators Kamala Harris (D-Calif.), Bernie Sanders (I-Vt.), and Ed Markey (D-Mass.). As summarized by the left-leaning *Politico*, the bill would

send a monthly \$2,000 check to people who make less than \$120,000. It would expand to \$4,000 to married couples who file taxes jointly and also provide \$2,000 for each child up to three. Harris said the



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bill is a reflection that Congress's efforts so far were not "nearly enough to meet the needs of this historic crisis" and Markey called the massive cash infusion "the most direct and efficient mechanism for delivering economic relief to those most vulnerable."

"Congress has a responsibility to make sure that every working-class household in America receives a \$2,000 emergency payment a month for each family member," Sanders said.

The payments would be retroactive to March and last until three months after the Health and Human Services Department has declared the public health emergency over. The legislation would also bar debt collectors from taking the payments, and would deliver them regardless of whether people have a Social Security number or filed taxes last year.

The point of the last part is to make sure illegal aliens also get the giveaways. This became an issue, especially to Democrats, when some Americans married to illegal aliens apparently didn't get a \$1,200 "stimulus" check earlier this spring. This Senate plan is similar to a provision included in the recent House-passed legislation — one that drew derision from Senate Majority Leader Mitch McConnell. Mockingly, McConnell remarked in mid-May: "Can you believe it? We forgot to have the Treasury Department send money to people who are here illegally! My goodness. What an oversight."

If we want the economy to recover, paying people not to work is hardly the way to go. In fact, there is evidence to that effect about the somewhat similar situation during the Great Recession. Rachel Greszler, writing in Nebraska's *Lincoln Journal Star* in mid-May, cited a study from researchers at the New York Federal Reserve that found that extending unemployment benefits during that recession produced

a prolonged increase in unemployment, with 4.6 million more people unemployed in 2010 and 3.3 million more unemployed in 2011. And those consequences came with unemployment benefits averaging less than \$400 per week as opposed to nearly \$1,000 a week today.

Indeed, according to the estimates of rezzler (along with a colleague at the Heritage Foundation), the congressional provision of the \$600 pandemic bonus through July of this year "could increase unemployment by up to 13.9 million and reduce output by \$955 billion and \$1.49 trillion between May and September. An additional six- to nine-month extension would significantly exacerbate lost jobs and economic output."

Big numbers may be hard to digest. What does that mean to you? As Greszler explains, "If unemployment averages 10%, these additional benefits could cost every household in America an extra \$3,300 to \$4,000 in taxes."

This is just a hint of what we could expect with a Democrat-controlled Congress and Democratic president nodding at whatever heads down Pennsylvania Avenue from Capitol Hill. Pelosi's so-called HEROES Act may not make it through this year — but it should serve as a forewarning.

It augurs expensive pain. The act, with its huge scope and cost, is an attempt (in the words of the *Wall Street Journal* on May 15) to "replace the private economy crushed by the shutdown with government programs — old, new and expanded. It uses the economic damage caused by the government shutdowns as an opening for a huge expansion of the welfare state that would keep millions of Americans on the government payroll into 2021 and make the private recovery that much slower."

Should this occur, when you look at the coming tax bill, you'll never call them "cheap politicians" again.



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