



Written by [Ralph R. Reiland](#) on July 27, 2010

## Big Benefits, Hot Air, and Scarce Jobs

Pushing for more billions in deficit spending to extend jobless benefits to a record 99 weeks, or nearly two years, House Speaker Nancy Pelosi recently declared that more red ink and more dependency on government checks for longer stretches of time was a top and fast way to stimulate the U.S. economy and create jobs.

"This is one of the best stimuluses to our economy," she asserted regarding unemployment legislation, which the House and Senate recently passed and the president signed. "It creates jobs faster than almost any other initiative."



The legislation extends benefits averaging \$309 per week until December. That's the average benefit level, however, with the size of government monthly checks for joblessness differing widely among the states.

In Massachusetts, the top benefit is \$943 a week, or \$49,036 a year. For a lucky jobless couple living in a nice house on the bay in Nantucket and eligible for the maximum checks, that's \$98,072 a year and plenty of free time to catch a striped bass for dinner.

A recent editorial in the *Wall Street Journal*, "Stimulating Unemployment: If you can't create any jobs, pay people not to work," contended that the extended benefits to subsidize joblessness will have the direct effect of expanding and prolonging unemployment: "Democrats are going so far as to subsidize more unemployment. If you subsidize something, you get more of it. So if you pay people not to work, they often decide not to work. Or at least to delay looking or decline a less than perfect job offer, holding out for something else that may or may not materialize."

President Obama's call for 99 weeks of jobless benefits, argued the *Journal*, underscored the failure of his economic program, the failure of the \$862 billion stimulus, and the job-killing impact of Obama's continuous calls for more regulations, more mandates and higher taxes on the nation's key job creators in the private sector.

"The one possibility the president and congressional Democrats won't entertain is that their own spending and taxing and regulating and labor union favoritism have become the main hindrance to job creation," maintained the *Journal*. "Since February 2009, the jobless rate has climbed to 9.5 percent from 8.1 percent, and private industry has shed 2 million jobs."

The problem, according to Ivan Seidenberg, head of the once Obama-friendly Business Roundtable, is that Obama has created "an increasingly hostile environment for investment and job creation here in this country."

What doesn't work in creating jobs in a free-enterprise system is a hostile anti-capitalist ideology that's anti-boss and pro-worker. Richard Lowry, editor of *National Review*, recently pointed out, succinctly, the irrationality and inconsistency of that position, stating, "The Democrat's sympathy for the



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unemployed doesn't extend to the people who might hire them."

Investing and hiring new employees, in short, is too risky a venture in the current soak-the-rich environment, when businesses see a plethora of higher taxes and more regulatory costs on the horizon, beginning with one of the largest tax increases in U.S. history on January 1 that is precisely aimed at the incomes of the nation's job-creating investors, entrepreneurs, and small business owners.

Under the policy to rescind the Bush tax cuts, the current top income tax rates of 33 percent and 35 percent will rise in January, respectively, to 36 percent and 39.6 percent.??

"These rates affect families and small business owners earning at least \$200,000 per year," reports the Americans for Tax Reform. "A majority of small business profits will face a tax rate hike under the Obama-Pelosi-Reid plan. There were 30 million tax returns reporting small business income in 2008. On net (profits reduced by losses) these owners reported business profits of \$981 billion. A large chunk of this net profit — \$488 billion — faced taxation in households making more than \$200,000 per year."

More precisely, the "large chunk" means that 50 percent of the profits earned in the small business sector, the nation's key job-creating sector, will be subjected to higher rates of taxation next year.

"No family making less than \$250,000 a year will see any form of tax increase" was candidate Obama's repetitive promise during the presidential campaign. Unmentioned was the price increase these below-\$250,000 households will pay as higher tax rates kick in and businesses boost their prices in order to cover the cost of increased tax bills.

Also unmentioned was the price these below \$250,000-households will pay in increased joblessness, fewer work hours, fewer benefits, and fewer pay hikes as businesses attempt to lower costs in order to pay for higher tax costs.

For candidate Obama, this distortion of who pays the bill for bigger government and higher taxes, along with his repeated and ongoing attempt to pit one income group against another, was just about one job, just about Obama's job.

What we got in the presidential campaign was more slick speechifying than informed debate, more hot air than sound economic thinking, and so now, unsurprisingly, we've ended up in the sorry place described by Joel Kotkin, an adjunct fellow at the Legatum Institute in London and a presidential fellow in urban futures at Chapman University. "Among businesses of all sizes, there is now a pervasive sense that the administration does not understand economics," says Kotkin. "Obama's real problem is that he's a product, basically, of the fantastical faculty lounge."

Unfortunately, what sounds good at a lunch table in the faculty lounge isn't what always works in the real world, especially when it comes to the intellectual output of the big-thinking paradigm-shifters at the collectivist table where everything's been boiled down to a call for more guilt, less oil, and more redistribution.

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