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REPORTS

An Economic Bridge to Nowhere

Posted on Jan 28, 2008

By **Marie Cocco**

WASHINGTON—Ask an economist to explain a recession and you'll likely get a description that involves declining demand, slowing production and an accounting of this or that "excess" in the economy (this time, it's screwy mortgage lending and the housing bubble) that has to be wrung out of the system before things can be set right.

Ask a worker to describe a recession, and it's much simpler: It's when people lose their jobs.

This is why in every recession since 1958, Congress has enacted a temporary extension of unemployment benefits beyond the customary 26 weeks of payments made by states. The stopgap benefits keep families afloat during times when jobs are scarce and the duration of a jobless period can lengthen well beyond six months.

The money flows quickly through a system that's already in place—no new bureaucracy is needed to dispense it. The cash goes to people who have been directly affected by the downturn, not to those who may never really feel the pinch. That's why the Congressional Budget Office recently rated extending unemployment benefits (along with temporarily enhancing food stamp benefits) the most efficient and effective of the ideas proposed for inclusion in an economic stimulus package.

Looking back on the experiences of long-term unemployment insurance recipients during the recession of 2001, for example, the CBO found that average family income was half of what it had been when a recipient was working. About a third of these families saw their

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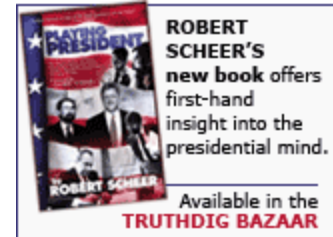
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incomes fall below the poverty line, and 40 percent lacked health insurance. Mark Zandi of Moody's Economy.com has estimated that every \$1 increase in unemployment insurance benefits generates a short-term boost of \$1.64 in gross domestic product.

Unemployment insurance is such a surefire way to get money to people who will spend it immediately that, historically, it has been called an "automatic stabilizer."

Now House Republican leaders are calling it "extraneous spending."

The bargain that led the Bush White House and the bipartisan leadership of the House to reach a deal on an economic stimulus package was that the Democrats had to drop demands for government spending of any kind—even spending that puts money directly into the pockets of people who've lost their jobs. In exchange, the Democrats won tax rebates for some wage earners who pay Social Security and Medicare payroll taxes, but do not earn enough to pay income taxes.

That's better than failing to give these workers anything at all. But there isn't anything logical about agreeing that low-wage workers need a break, while somehow the unemployed do not. Unemployment insurance isn't welfare. It's not pork-barrel spending or any sort of boondoggle. It is designed precisely for times like these, when workers are laid off and can't easily find new work because of overall economic sluggishness.

In fact, the system has long been neglected while the very nature of work has evolved. Part-time workers who are laid off usually aren't covered by unemployment insurance, leaving millions—particularly women—without this safety net. In many states, a worker must certify that he or she is looking for full-time work in order to be counted as among the unemployed, even if the job that's been lost was a part-time position and even if other common eligibility tests are met. Gaps in the unemployment system already have reduced the percentage of unemployed workers who actually receive benefits to under 40 percent, according to an analysis by the Center on Budget and Policy Priorities.

A broad overhaul is overdue. But trying to achieve this in the teeth of a looming recession, when the political impetus is to act quickly on a stimulus plan, shouldn't be tried.

Ideological illogic shouldn't trump proven effectiveness, either. Yet that's the root of Republican objections to extending unemployment benefits as part of the stimulus package. The House Republican leaders, John Boehner and Roy Blunt, in announcing the agreement last week, cited unemployment benefits as "extraneous spending"—and crowed about keeping them out of the package.

Aiding the unemployed is not the moral equivalent of building a bridge to nowhere. No policy currently under discussion—including those tax rebates you may already be counting on—is better targeted or delivered more quickly. The Senate, which begins writing its own stimulus package this week, must help the jobless who are the very face of recession.

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The Whole World Was Watching

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By **Expat**, January 30 at 7:46 am #

(**293 comments total**)

Fascinating.....

^ I've just checked the market and it's not down all that much today, in fact it's up for the

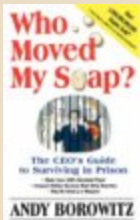


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last two days....why?

It seems to me that with the entire sub-prime dive, the market should be down. I think the new guy Bernanke, is going to majorly screw up and pander to the market rather than let the market find its own level. This will speed the dive towards the coming crash and will exacerbate the effects on our economy. Bottom line; we're in deep shit! This is the tip of the iceberg and with all of the economic indicators pointing to a correction and Bernanke doing everything to avoid the inevitable it all must come crashing down and a depression (not recession) may be in the offing. One can only manipulate things just so far; the angle of repose will not be denied!

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By **Outraged**, January 30 at 12:57 am #
(504 comments total)

Thanks jbart

Your post came up apparently after I posted (my second post), at least from where I sit.

I appreciate it. Hang tough. It's going to be a "long haul".

Never give in, never give up, and only make amends to those who are quite sincerely, unaware. Ahhh...such a heavy task.....then again...maybe not.

In the business world I believe they call "it" EMPOWERMENT.

Even "single lane" roads TECHNICALLY go both ways.

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By **Outraged**, January 30 at 12:13 am #
(504 comments total)

Demand the senate address this imperative issue. Write your senators. A valid showing of names and addresses with this legislation WILL GO FAR. Do it. Don't be sidetracked with extraneous garbage. Let your senators KNOW with names, addresses and zip codes your dissatisfaction with the meat and potatoes of this legislation. Do it now BEFORE it is well gone and decided. People DO make a difference. (Yes, I mean YOU) Your senators have yet to vote, make sure that it is in YOUR interests.

Five will get you ten that they would love to, but they need to be able to SHOW that they are acting in the interests of their constituents. Demand it. This is America folks. Make



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sure that, THAT, is taken into consideration and RECOGNIZED. Your voice is everything.

Always...."they" (who ever "they" are) would like you to believe that money is everything.... in the REAL world, do you find this to be true....? Do you...? Money is something...sure. But is it EVERYTHING...? I think NOT. There IS something bigger.....of course there is.... but they don't want you to "remember" that. There is US, folks, "WE THE PEOPLE....."

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By **jbart**, January 29 at 8:40 pm #
(Unregistered commenter)

outraged

I couldn't have said it any better. You are right on target. thank you.

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By **Outraged**, January 29 at 7:22 pm #
(504 comments total)

Ideological republicans and certain democrats are not in congress to run or manage the country's business. They are there to steal from the citizens and give to the rich while putting a "few bucks" in their own coffers as well. I thought it was transparent in Bush's attitude during his SOTU just how much the citizenry of this country, THE ONES WHO ACTUALLY PICK UP THE TAB, meant to him.

Did you notice how it was all about "what he will and will not do? And his smirking smug contempt for those who will have to learn to "tighten their belt" to deal with these "tough economic times". Yet in a time of record profits for huge private corporations the average worker's wages stagnated or fell. Not because of "economic conditions" but because of greed.

It is a purposeful endeavor of big business to undermine the safety nets for all Americans. Get rid of Social Security, unemployment, food stamps, unions and any type of economic relief or assistance because it is in this way that they will have a steady supply of workers to work to death. When they're gone (or done with) there will always be another starving American to work for low wages just to eat. Crooked multinational corporations have been doing this in other countries for decades. It's no secret. And they want to do it here.

The only way to reverse this is to have more economic assistance, unionize, stop the

government from pandering to big business interests, enforce labor laws, close business tax loop holes and enforce them, end free trade agreements and otherwise enforce fair business and labor practices. Doesn't the "economic stimulus" package include money to business? This money won't go to the small businesses which in fact might actually stimulate the economy, but will go to big corporations who have already robbed the citizenry blind. Think of it as a "tip" for a job well done.

Stand up and be heard America. File that lawsuit, write those letters to congress and sign that petition. Watch local politics, this is how they measure just how well they will be able to implement these "policies" en masse. This is especially true in smaller communities with large multinational corporation plants or subsidiaries.

I am absolutely AGAINST the stimulus package if ANY of the money goes to business, unless that business is VERY mom and pop. This package is a facade. An attempt to make the unaware "feel" something is being done to help. Psychological chicanery is their MO.

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By **lightning john**, January 29 at 5:39 pm #
(Unregistered commenter)

Ah Mr.Chalmers, Thank You

Finally someone has followed it to it's end, imagine a proud american living in thier car with all that is left of the american dream, who could not have imagined that they were three pay-checks from the street, and now, who cares ?

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By **THE YOUNG ARE HERE**, January 29 at 4:11 pm #
(12 comments total)

Driving bear what kinds of jobs would they create? One that would pay less than what you would collect in unemployment benefits? What should every one who needs work do till these jobs are created? No what we need are jobs that pay an honest wage. One you can survive on working forty to fifty hours a week not sixty to seventy. Take note I said survive. But I guess you are right we need to create jobs but whats wrong with adding some unemployment till they can find a job that doesnt put them in the poor house.

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By **GW=MCHammered**, January 29 at 9:46 am #
(Unregistered commenter)

It's not JUST about the economy. It's about

Bush plays, embarrassingly obvious, a psychological game called The Drama Triangle (google it). He holds fast to the Persecutor role by acting parental. Fox News usually plays co-Persecutor, CNN often plays the Rescuer role. You can see it in their language and attitude.

Why the game?

Because it's effective. And so We The People behave 'helpless' in the Victim role. The way out of this three-way game is to hold Bush and Company rightfully responsible for their lies and harm. Feel the twinge 'We can't do that'? That's playing the Victim role.

It's time We The People rightfully assume the role of Persecutor and expedite our independence from their long-running dysfunctional and destructive game. Because fighting for our personal freedom is engaging the now too long-missing American Spirit.

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By **G.Anderson**, January 29 at 8:05 am #
(157 comments total)

Congress is all heart....

But Hidden away in this mess are some tax breaks for business. I suspect to many in congress, tax breaks for business is the most important part of the legislation.

By focusing on helping consumers, congress can sound like a bunch of humanitarians trying to help a sick puppy limp up the steps to church.

Instead of the sick bunch of confused crooks that they are.

Out of the blue we find ourselves in a recession without a clue as to how we got there. But it doesn't take Nostradamus to figure out why. It's because of them.

They haven't done their job, which was to check the insanity of the executive branch. I know it was a big job this time. But it seems like there were only a few up to the task.

Right now I'm wondering out loud of Haliburton will benefit from some of these tax breaks?

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By **jackpine savage**, January 29 at 7:15 am <#>

(**96 comments total**)

vote buying, er stimulus

Ah, to extend unemployment benefits would require admitting that there is an employment crises, which would contradict the "we're growing jobs" and "unemployment is low" mantra spewed in Washington.

I do agree with driving bear; we need to create jobs more than anything, but we also must bridge the unemployed until there are jobs for them.

Personally, i would like to see a tax code that collects from stock investment at nearly punitive rates, but offers very generous rates for community investment. If the money that the middle class poured into the stock market was poured into financing local businesses we might do better. Of course, Wall Street wouldn't make as much money so that idea is unworkable.

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By **DennisD**, January 29 at 7:04 am <#>

(Unregistered commenter)

Nowhere on purpose

An economy based (70%) on consumerism and in turn on credit has been an accident waiting to happen for the last 20+ years. It's only been through the constant manipulation of the numbers by our corporate government that the depth of the looming disaster has been kept from the American people.

Real wage increases haven't kept pace with inflation for decades but through averaging the rich exponential increase with the working persons menial at best increase it looks to the uninformed that everyone's wages are going up. While you may have a few more dollars in your pocket their buying power has been eroded. Each time the Fed bails out the banks and Wall St. they erode it a little more. Increased taxes for everything and inflation take the rest.

HOW it got this way and why no one is responsible should be the real question. It's obvious who's benefited the most from it and it took a true bi-partisan effort to do it. Why is no one in government taking the credit for a job well done for their corporate constituents ?

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By **Dr. Knowitall, PhD, PhD**, January 29 at 6:41 am #

(**317 comments total**)

I know I'm a knowitall, but, as I see it, the sub-prime scam which the rich inflicted on the richer is kind of an irony.

The thing backfired, literally blew up in their faces.

To add insult to injury, the real victims, the middle class home "owner" will not soon recover, even with King George's and our beloved congress' tiny ort.

I think they're all a bunch of %*&^#@s.

My sympathy sincerely goes out to those devastated by this continuing assault on the middle class.

The A wholes who master-minded this scheme, it's my understanding, got huge bonuses from Wall Street Fundies that make my 600 look like pocket change.

Gawd Bless Eyemarryica!

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By **Douglas Chalmers**, January 29 at 2:37 am #

(**1924 comments total**)

More like a bridge too far - Quote Marie Cocco: *"Ask a worker to describe a recession, and it's much simpler: It's when people lose their jobs.... Unemployment insurance is such a surefire way to get money to people who will spend it immediately that, historically, it has been called an "automatic stabilizer."..."*

An Economic Bridge to Nowhere? More like a bridge too far, uhh! Stimulus packages are notoriously supportive of whoever they are mainly directed at - and politicians serving their own interests are noriously hopeless at arriving at a balanced perspective for everybody's benefit.

Moreso, the depressed economic situation has been caused by pandering to a sky-high stock market than any other single issue other than the existence of the military-industrial complex itself. Both have spawned an essentially corrupt economic framework - ultimately at everybody's expense.

All bridges lead to a bankrupt society when the main imperative is marketing packaged debt regardless of the price of what is being purchased. No wonder then, that politicians like to have their immunity to being sued just as judges and other compulsive criminals of the state's hierarchy also protect themselves from the consequences of their own words and actions!

The worst issue is the fact that unemployment benefits are considered as merely temporary "insurance" and conveniently limited to 26 weeks of payments. It is also hypocritically slanted towards "families" when there is actually no such thing as any organization ever employing a "family", uhh. Thus, singles (including married couples) as well as part-time workers are marginalized and discriminated against.

Requiring a person to be "*looking for full-time work*" is an absurdity in an era of part-time employment and particularly discriminates against working mothers with young children who are unable to work full time. In other words, it is yet another excuse to shove people off the books of the welfare agencies at every opportunity. Politicians mostly never actually do any real work anyway so how would they comprehend never mind care?

The fact is that these people are then not counted amongst Nancy Pelosi's "*middle class*" and thus are of no political advantage to her as well as being of no supposed economic use. Their value as human beings is, of course, never considered. The fact that such people are constantly subjected to stress and anxiety and eventually become ill as a result is ignored as well. That's just too much for America's poor politicians and journalists to have to think about.

Thus the depressed economy and individual's depressed economic circumstances inevitably lead to the risk of mental depression and illness. At that stage, they can be categorized as unemployable and eventually abandoned by the hypocritical health care system as unable to pay their bills, etc etc. Somewhere along the line, the police and the unsympathetic courts become involved as they take their turn at harassing these now-helpless victims of "the American dream" turned sour.

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By **jackpine savage**, January 29 at 7:07 am #
(**96 comments total**)

Re:

I'll second Expat, excellent post, Mr. Chalmers.

"...the depressed economic situation has been caused by pandering to a sky-high stock market than any other single issue other than the existence of the military-industrial complex itself. Both have spawned an essentially corrupt economic framework - ultimately at everybody's expense."

As Frank Zappa would have said, the above is the crux of the biscuit. Our manufacturing base has eroded as it has because business in America is oriented towards the short-term profits demanded by Wall Street. The businesses don't win, the employees don't win, and the consumer doesn't win. Only the Street wins.

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By **Expat**, January 29 at 3:14 am <#>
(**293 comments total**)

Re:

Douglas, well said. I have to chuckle when I look at who finances everything and who then benefits from everything. It ain't the ones who finance everything! Is that sick or what?

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By **driving bear**, January 29 at 1:46 am <#>
(**228 comments total**)

No the answer is to create jobs

To come out of a recession new jobs must be created. adding to unemployment benefits does not do this and prolongs a recession. Also the problem today is not unemployment but rising prices due to high fuel/oil cost. The tax cuts and rebates will create jobs.

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By **Prabhata**, January 28 at 10:53 pm <#>
(Unregistered commenter)

The reason Republicans do not want to extend unemployment benefits to help the economy, is that they want to help the financial system that is overburdened with worthless loans from credit cards and sub-prime lending. They are betting that people will

use that money to pay-off bad debts, and allow market forces to deal with the recession. I know it's stupid, but that's the mentality of Republicans. They are still angry with FDR, and swear that his interference in the economy did more harm than good.

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