Multiplying Stupidity

Work has become passé. The labor force participation rate [fell to a 31 year low](http://www.moneynews.com/StreetTalk/Jobs-Obama-Fed-employment/2012/09/07/id/451114) in August as another 368,000 people left the work force. It also represented the [lowest labor force participation rate *on record*](http://www.huffingtonpost.com/mark-gongloff/labor-force-participation-rate_b_1865027.html) for men at 69.8%. That rate does not even include those who are incarcerated. The US has more than two million people (mostly men) currently locked up. Between 1980 and 2008 the number of incarcerated Americans [quadrupled](http://www.naacp.org/pages/criminal-justice-fact-sheet). September also saw a new [record for workers on disability](http://www.catholic.org/national/national_story.php?id=47666) at 8.767 million people, or one disabled person for every 16.2 workers.

[Food stamp enrollment hit a record 46.7 million in June.](http://www.foxnews.com/politics/2012/09/05/food-stamp-enrollment-hits-record-467m-in-june/) The number of [able-bodied adults on food stamps doubled](http://washingtonexaminer.com/crs-report-number-of-able-bodied-adults-on-food-stamps-doubled-after-obama-suspended-work-requirement/article/2508430#.UFnQLaOhlM-) after President Obama suspended work requirements for food stamps. Now he plans to [do away with work requirements](http://online.wsj.com/article/SB10001424052702304388004577528931414701856.html?mod=WSJ_Opinion_LEADTop) for other welfare payments. It does make one wonder what President Obama hopes to accomplish with his “labor” reforms. Here are three possible explanations: ideological, political, and economic.

Ideological

Perhaps the increase in people receiving government assistance is part of an ideological plan to engage in redistribution from those with ability to those with need. In 1998, Mr. Obama issued his ideological support for [redistribution](http://www.youtube.com/watch?v=ge3aGJfDSg4). He also noted that our goal should be to control markets for the [common good](http://www.wnd.com/2012/09/obama-calls-for-democracy-with-a-small-d/). The ideological hypothesis is that President Obama believes that government is good and more government is better. The more we pool our resources via the government, the more we can achieve common ends.

Political

The political hypothesis is that President Obama wants to increase the number of people who receive benefits because such people will be less likely to vote against the hand that feeds them. This is the view that Mitt Romney expressed with his [47% comment](http://www.huffingtonpost.com/2012/09/18/mitt-romney-47-percent-full-video-_n_1893615.html). This theory also attempts to explain why Medicare and Social Security cover retired millionaires and home mortgage deductions include not one but two homes. Policies that give more goodies to more people are more popular than those that give fewer benefits to fewer people.

Perhaps when President Obama enacted the payroll tax holiday he was expressing his ideology that marginal tax rates should be lower for most people or that Social Security and Medicare should have its only funding source cut. The political hypothesis is that since more people pay payroll taxes than income taxes, it is a politically superior tax cut.

 Economic

[Andy Kessler](http://online.wsj.com/article/SB10000872396390444100404577641280041366306.html?mod=WSJ_Opinion_LEADTop) wrote this week in the WSJ,

“ According to an Aug. 15 article by Paul Tough in the New York Times Magazine, the administration's economic team during the financial crisis—Lawrence Summers, Tim Geithner, Jason Furman—"was carrying around this list of multipliers" from Mark Zandi of Moody's Analytics. A dollar spent to cut corporate taxes would grow the economy 30 cents; make the Bush tax cuts permanent, 29 cents; extend unemployment benefits, $1.64; food stamps, $1.73. "And food stamps was always at the top. That had the largest multiplier."

Perhaps President Obama is increasing food stamp, unemployment, and disability roles because his economic advisors suggest that so doing will stimulate the economy faster than cutting corporate tax rates or reducing marginal tax rates. Demand side (Keynesian) economists are the only ones who think that wealth can be created by adopting a borrow-and-spend philosophy. They believe that redistribution from the rich to the poor will speed up economic growth since the poor will more quickly spend their money than the rich.

Ask Belgium if that is working out. Their unemployment benefits provide a better life than does work, and they wonder why kids these days [don’t bother to take a job](http://www.msnbc.msn.com/id/49115201#.UFzWxaOhlM8). Then again, just look at the US economy. All transfers and no work has dulled economic growth, not sped it up. The only thing that is multiplied by economists carrying a list of multipliers is stupidity. Scarcity ensures that there is no such thing as a free lunch, much less a free breakfast, dinner, health care, education, and house. Encouraging people to drop out of the labor force only means that fewer people are having to the pull the economic wagon which now has more free riders.

All of the above

It could be that the president is motivated by all of the above. He calls for cheaper student loans, free preventative health care for women, and more employment by state and local governments which he feels helps redistribution, his re-election, and the economy. The real question is at what point will he see the empirical evidence that his cumulative policies only hurt economic growth? Will he change his policies or just assume that being motivated by ideology and politics are enough? After all, two out of three isn’t bad when you are talking about votes. It is, however, bad if you are referring to the number of people who are dropping out of the labor force.