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Professor Mike Seeborg on Covid-19 Jobless Benefits

Eric Stock
WGLT, Illinois State University

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WGLT Interview with Mike Seeborg, June 28, 2020

Charlie Schlenker: An economist at Illinois Wesleyan University says the money congress gave to the many tens of millions of newly unemployed was just what the economy needed to stabilize. But he says that can't last forever. Professor Mike Seeborg tells Eric Stock congress should extend those payments past the current July deadline but then it should look to phase them out as the economy recovers. He worries they'll create a disincentive to work.

Mike Seeborg: The benefits right now for many of these workers exceed available job wages and so for many unemployed workers right now their regular unemployment compensation plus the uh cares act six hundred dollars per week bonus to that uh results in pretty large income. It often exceeds the income that they would earn going back to work. Yeah so, there is a work incentive issue there.

Eric Stock: Now this situation is a bit different than your standard benefits because we're talking about a sizeable paycheck of six hundred dollars per week in unemployment. The intent though was to keep people from working to keep them safe. Does that change the incentive dynamics since this is considerably more than you would typically get in unemployment?

Seeborg: Yes it does. During the time of really high sort of pandemic induced recession, it makes more sense. There just aren't jobs to go back to or from a public safety perspective we don't always want workers going back to places where there could be spread and so it has provided an incentive to keep people at home during the pandemic that's for sure and in the process it's been credited by some with reducing poverty among families with unemployed workers by elevating their wages somewhat about their family income above the poverty level. It makes sense to me initially as an economist to try to stimulate the economy through these, these subsidies, to unemployment compensations checks of six hundred dollars a week, big subsidies. The idea initially was to maintain a higher level of spending in the economy because those workers are likely to spend at least part of that subsidy, and also keep them home while we try to get a grip on the pandemic. But at some point the dynamics certainly change.

Stock: You know what about after July unemployment is still in double digits across the country. The pandemic is still in the first wave in some parts of the country, of course, there's concerns of a second wave again coming in the fall. Can this sizable amount of money going out across the country be continued for an extended period of time until there's a vaccine, or a uh affective treatment for Covid-19.

Seeborg: It can be continued for a while. It requires I mean we are talking about billions of dollars or perhaps a trillion dollars over the course of the particular program and that's a sizable amount of government spending and will require a lot of borrowing from the federal government to get these checks out and to continue that type of program. Uh there is some talk in congress now about sort of a phase out of the program to sort of continue the program this uh a proposal by the democrats, uh, to extend unemployment benefits. Senator Ron Wyden from Wisconsin is sponsoring a bill that would extend the six hundred dollar per week benefit, you know which is essentially an add-on to regular

unemployment compensation, beyond the end of the month. And then start to phase out those payments as a state by state basis as the unemployment rates drop below 10 percent.

Schlenker: That was Illinois Wesleyan professor Mike Seeborg with Eric Stock. Employees who refuse to return to work aren't entitled to Covid-19 jobless benefits unless they are at risk with health complications due to Covid-19.