All Play and no Work Makes the US a Poor Country

Sometimes looks can be deceiving. April’s unemployment rate fell from 8.2% to 8.1% which looks good. On the other hand, the labor force participation rate continued to fall and hit a 30 plus year low. Fewer people are in the labor force now than were there at the beginning of the economic recovery. If the labor force participation rate had remained the same as it was in June 2009, [Investor’s Business Daily](http://news.investors.com/article/610306/201205040931/labor-force-shrinks-as-disability-grows.htm) calculates that the unemployment rate would now be 11%.

The US recovery has largely involved people giving up on the prospect of work. Many of these people have chosen to file disability claims instead, as five million new workers and their families have been added to the Social Security disability program under President Obama. Once they begin collecting disability, they are unlikely to ever return to the labor force.

Since 1992, the average real GDP growth rate (omitting quarters where the economy is contracting) has been 3.7%. That is, when the economy has grown, it has grown at a pace to increase employment. The average growth rate for the US economy since the end of the 2009 recession (since the last negative quarter) has been just 2.4%. The average growth rate over the last five quarters has been a mere 1.74%. Put another way, the anemic recovery has been losing steam rather than revving up. This translates into even fewer people with jobs.

The [WSJ pointed out today](http://online.wsj.com/article/SB10001424052702304050304577375572771360252.html?mod=WSJ_Opinion_LEFTTopOpinion) that young workers who enter the labor force in a recession suffer years of lower wages. Last fall, [*The Economist* noted](http://www.economist.com/node/21528614) that high youth unemployment will be felt for decades both by those affected and by society at large. Even [MSNBC is catching on](http://lifeinc.today.msnbc.msn.com/_news/2012/05/03/11489527-a-teen-with-a-job-becomes-a-rarity-in-us-economy?lite), noting the trend of jobless young people. Maybe the youth can [raise sheep](http://www.telegraph.co.uk/finance/jobs/9244441/Young-Italians-flock-to-become-shepherds.html) instead of being doctors. Happy graduation season!

The irony of the entitlement state is that the more that people feel entitled to free stuff, the less stuff they’ll actually receive. [Quebec’s students are on strike](http://www.thestar.com/news/canada/article/1172734--quebec-student-protesters-to-undress-as-part-of-new-tactic) because they don’t want tuition to increase. They think that a college education should be free. In fact, if it is not going to be free, they apparently prefer not to go to class at all.

The weight of entitlements is crushing Europe and they are beginning to crush the American spirit. Citizens’ desire for more free stuff is often inversely related to their desire to work. People who work and produce can buy things they need. There is no end to the “needs” of the freeloading masses. More is never enough. I want more stuff, but I am constrained by the fact that more stuff requires more work on my part. When all rewards are separated from work, it should be no surprise that fewer people choose to work while the clamor for more free stuff accelerates.

The problem herein is simple math. Wealth has to be produced before it can be redistributed or consumed. As a larger and larger percentage of Americans produce nothing, they will demand ever larger handouts from the few suckers who are willing to keep working. As those suckers wise up and quit working (think of the strike of productive men and women in *Atlas Shrugged*), there will be less wealth to redistribute. Note our slower growth rates pointed out above. Soon there will be nothing left to redistribute because a nation of all consumers and no producers will eventually squander the last vestiges of wealth. By then rioting or striking for more free stuff will be as pointless as it is silly today.