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America Needs a Fiscally Responsible Stimulus

WASHINGTON – In his speech today, President-elect Obama argued for a large stimulus package and called for bipartisanship and transparency in the process.

“It is encouraging to see the emphasis the new administration is putting on crafting this package responsibly,” said Maya MacGuineas, President of the Committee for a Responsible Federal Budget (CRFB). “They are rightly pairing the idea that we have to spend now to help stimulate the economy with the fact that we will have to make significant changes to government in the coming years to deal with all the borrowing. When we are talking about an \$800 billion package on top of a \$1.2 trillion deficit, it is necessary to draw a distinction between what constitutes stimulus and what is business-as-usual government largess.”

CRFB recognizes that additional borrowing in order to help stabilize the economy will be necessary. In order to avoid the next financial crisis, however, CRFB calls upon President-elect Obama and the 111th Congress to promptly address the nation’s long-term budget imbalances and propose specific future offsets to finance the stimulus after the economy has recovered.

“If we think about massive deficit spending as medicine for a sick economy, we also need to recognize that too much medicine can ultimately kill the patient,” said MacGuineas. “Almost all economists agree that we need stimulus, but often overlooked is the fact that almost all economists also agree that the country’s long-term finances are completely unsustainable. We have to tell the world how we plan to pay for this.”

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