

PUSHING BACK AGAINST AUSTERITY

The facts: The federal budget does not need to be “balanced” like a household budget.

AUSTERIANS SAY: “We need to balance the federal budget like we would any household budget – no household can keep spending more money than it takes in, and no government can, either.”

WE RESPOND: First of all, [the federal budget is nothing like a household \(or small business\) budget](#). An individual household does not have a central banking system, print its own currency, or contribute nearly a quarter of GDP to the economy on its own, no matter how big the grocery bill may get. Beyond that, our government has ironclad credit with global investors, and can always tax the super-rich to raise funds. Our government can, should, and [always has](#) run deficits to support public investments, especially in times of crisis.

The facts: Public investments and direct aid to people and families help end recessions and spur economic growth. Now is the worst-possible time to worry about the deficit.

AUSTERIANS SAY: “Major public spending and the debt will ‘kill’ the economy by crowding out private investment, sparking inflation, and slowing growth.”

WE RESPOND: The doomsday predictions about inflation and “crowd-out” [simply haven’t come true](#), even as we’ve surpassed multiple “debt milestones” that deficit fearmongers arbitrarily lay down. In fact, the costs of deficit-financed public investment [have been declining for decades](#), and today’s economists are [more concerned about deflation](#) than inflation. Especially now, smart federal investment to help people is the only thing that will save our economy from further collapse.

The facts: Our government can and must spend whatever it takes to get our economy through the current recession and beyond.

AUSTERIANS SAY: “The federal government has already driven the deficit to a record high to combat COVID-19 and the current recession – we cannot afford to keep spending at this rate.”

WE RESPOND: Our economy needs, and can easily support, massive public investments to get us through the current recession and beyond. A [growing research consensus](#) and every economic signal we have are telling us that the deficit is not a problem right now, and past attempts to shrink deficits by cutting public jobs and services have [consistently hurt our economy](#) – even in good times. In economic crises, we have more to fear from spending too little than “too much.”

The facts: Our economy needs and can easily support massive public investments to get us through the current recession and beyond.

AUSTERIANS SAY: “You just want to spend irresponsibly and unnecessarily drive up the deficit and the debt – their proposals and wishlists will inevitably hurt our economy.”

WE RESPOND: No, it would be truly irresponsible spending – in good and bad times – to burn billions in public funds on tax giveaways for wealth hoarders and bailouts for powerful private interests that do nothing but drive inequality and further destabilize our already top-heavy economy. The same critics who use deficit panic to attack our proposals are silent about the debt when wasteful giveaways to the rich are on the table. Progressives argue for smart, targeted investments in the people who make up our economy – the kind of investments that help [end recessions](#) and [pay for themselves](#) in growth.

The facts: In good and bad times, public investment in the people that make up our economy is good economics and great policy.

AUSTERIANS SAY: “Spending may be necessary during this recession, but as soon as the economy shows signs of recovery, we’ll need to focus even more on aggressively paying down the federal debt.”

WE RESPOND: Bold public investment in all people is good economic policy in good and bad times. During recessions and downturns, investments in people [stimulate the economy](#) by helping people facing hardship get back on track more quickly than they otherwise could have. When the economy is stable, investing in people creates jobs, increases productivity and living standards, and spurs innovation, which in turn [boosts growth](#) and government revenues. Ultimately, if we decide we still need to raise revenue, there are plenty of ways to tax the rich.