



Make Jobs Bill More Effective -- Pay for It March 3, 2010

CHAIRMEN

BILL FRENZEL
TIM PENNY
CHARLIE STENHOLM

PRESIDENT

MAYA MACGUINEAS

DIRECTORS

BARRY ANDERSON
ROY ASH
CHARLES BOWSHER
STEVE COLL
DAN CRIPPEN
VIC FAZIO
WILLIS GRADISON
WILLIAM GRAY, III
WILLIAM HOAGLAND
DOUGLAS HOLTZ-EAKIN
JIM JONES
LOU KERR
JIM KOLBE
JAMES LYNN
JAMES MCINTYRE, JR.
DAVID MINGE
JIM NUSSLE
MARNE OBERNAUER, JR.
JUNE O'NEILL
RUDOLPH PENNER
PETER PETERSON
ROBERT REISCHAUER
ALICE RIVLIN
GENE STEUERLE
DAVID STOCKMAN
PAUL VOLCKER
CAROL COX WAIT
DAVID M. WALKER
JOSEPH WRIGHT, JR.

SENIOR ADVISORS

ELMER STAATS
ROBERT STRAUSS

As Congress considers legislation intended to bolster the economy and create jobs, proceeding in a fiscally responsible manner is complementary to promoting solid growth and a sustained recovery.

The American Workers, State and Business Relief Act includes one-year extensions of unemployment benefits, health care assistance, and other measures from the American Recovery and Reinvestment Act. It would also extend a package of expired tax breaks for a year and would delay the scheduled 21 percent reduction in Medicare physician payments for seven months.

Although the bill would cost about \$150 billion, it includes less than \$40 billion in offsets. The recently enacted PAYGO law would be bypassed by declaring many of the provisions as "emergency" spending. Even if the measures are deficit-financed in the short run to maximize their stimulative effects, though, they should be paired with longer term offsets to ensure the measures do not add to the debt permanently.

"Convincing our creditors that we are serious about getting our fiscal house in order will be essential to supporting a sustained economic recovery; adding billions more to the debt with no plan to ever pay it off is not particularly reassuring," said Maya MacGuineas, President of the Committee for a Responsible Federal Budget. "Our creditors aren't going to care that we gave ourselves permission to exempt this debt from the rules."

The Senate may consider a bipartisan amendment to the bill from Senators Jeff Sessions (R-AL) and Claire McCaskill (D-MO) instituting discretionary spending caps. The amendment is similar to one that fell just four votes short of adoption in January. Spending caps, in addition to properly enforced PAYGO rules, represent the type of fiscal discipline that has been effective in the past.

"Combining discretionary spending caps with a strict adherence to the spirit of PAYGO can at least stop us from making the fiscal situation worse, and send a signal to markets that we're serious about addressing the debt," added MacGuineas.