FELICIA WONG IS THE PRESIDENT AND CEO OF THE ROOSEVELT INSTITUTE.
She is responsible for overseeing all of the organization's major program areas, which support its three-pronged mission of reanimating progressive thought, developing the next generation of progressive leaders, and preserving the legacy of Franklin and Eleanor Roosevelt. Felicia has significant management experience in the private, public, and nonprofit sectors. A leading expert on the ways in which nonprofit organizations can create lasting social change, she comes to the Institute from the Democracy Alliance, where she led the development of a strategic investment portfolio composed of select leading progressive organizations. She pioneered the Alliance's efforts to assess and increase the policy and political impact of its investments. Felicia also has significant private-sector experience, having run operations and product development at a venture-funded education services company. Her public sector service includes a White House Fellowship in the Office of the Attorney General and a political appointment in the Office of the Secretary of the Navy. She holds a Ph.D. in political science from the University of California, Berkeley. Her doctoral dissertation on the role of race and framing in K-12 public education politics received the 2000 American Political Science Association award in Race, Ethnicity, and Politics.

FIGHTING THE 'GREAT RECESSION' WHY AMERICA NEEDS ROOSEVELTIAN RESOLVE

Research conducted by the Roosevelt Institute suggests that a narrow focus on the "fiscal cliff" and the threat of "automatic" cuts in federal spending could imperil a fragile recovery. Felicia Wong, President and CEO of the Roosevelt Institute, presents the arguments in favor of stimulus spending that benefits the nation as a whole and puts America back on the path to long-term growth.

The language describing the contemporary American economic downturn is jarring—the housing bubble popped, unemployment exploded, and a fiscal cliff looms. Yet perhaps even more jarring is the persistent language prescribing deficit reduction as a sort of economic panacea.

Debt reduction is not necessarily a fundamentally objectionable goal—but it must be meticulously timed. The alarmist rhetoric employed by conservatives, emphasizing the immediacy of the debt crisis and its unprecedented scale is simply not true. The current American debt is not the largest in history; in 1946, when the country was experiencing a war boom, public debt was 108.7% of GDP compared to 67.7% of GDP in 2011. Nor is our federal deficit unprecedented. The deficit in 1943 was the inflation-adjusted equivalent of $4.3 trillion today compared to 2012's projected deficit of $1.33 trillion.

> ## *UNE POLITIQUE ÉCONOMIQUE RÉSOLUMENT ROOSEVELTIENNE*
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> *Felicia Wong, présidente du Roosevelt Institute, est l'une des voix les plus influentes au sein de de l'aile gauche du Parti démocrate dont est issu le président Obama. Dans une perspective résolument volontariste, s'inscrivant dans la tradition jeffersonienne et keynésienne aux origines du "New Deal", Felicia Wong présente les principaux arguments en faveur d'une intervention renouvelée du gouvernement fédéral dans le champ économique pour sortir d'une crise engendrée, à son sens, par les excès du "laissez-faire" des administrations républicaines des années 2000-2008.*
>
> *Felicia Wong*
> *www.revueanalysefinancière.com*

AVOIDING THE AUSTERITY TRAP

As history clearly suggests, focusing on reducing the deficit in our current economic condition is simply a bad idea. There are a number of theories and studies that emphasize the relationship of debt-to-GDP ratios and growth but, as Roosevelt Institute fellows Arjun Jayadev and Mike Konczal point out, these studies consider deficit-cutting measures only during non-recessionary times. When countries do in fact cut during an economic slump, the result is typically lower growth, and/or higher debt-to-GDP ratios. John Maynard Keynes sums up this idea when he wrote that "the boom, not the slump, is the right time for austerity."

As Roosevelt Institute David Woolner points out, this argument closely resembles one that consumed the American public in the first half of the twentieth century. Franklin Delano Roosevelt, elected in the wake of the devastating 1929 stock market crash and its ensuing depression, insisted that the state had to spend its way out of the crisis, and he did so through a number of programs in his "New Deal." His critics, however, were unconvinced by Keynesianism and insisted that the best way to end the Great Depression was to balance the budget. Of course, FDR won that argument, and in so doing, won lasting benefits for the American people including social security, Federal Deposit Insurance, and a much-improved public infrastructure system.

Despite the prolific legacy of the New Deal , conservatives at

FDR's time as well as those today insist that it was World War II, and not his public programs, that lifted America out of the Great Depression. The huge flaw in this thinking—as Woolner also points out—is that the New Deal spending worked, but that it was

"not enough to pull us out of the deep trough we were in. For that we needed much more spending, the kind of spending—and borrowing—that occurred in World War II. According to the logic of today's budget hawks, such a massive level of deficit and debt should have brought the U.S. economy to a screeching halt once the war was over. But that did not happen. On the contrary, the period of economic growth that occurred in the United States after the war was the largest and longest the world had ever seen."

It is apparent that the risk of not spending is greater than that of borrowing—particularly when the potential long-term productivity gains in terms of education and infrastructure are considered. And President Obama's current approach involving spending and quantitative easing has encouraged recovery while protecting the country's future growth potential.

Although the economic debate on this side of the Atlantic is typically framed as one about debt reduction, it is essentially the same as the austerity debate throughout much of Europe. But those countries that have adopted austerity measure in Europe, have little to show in terms of progress—unemployment remains high, and industrial production is low. In the United Kingdom, where conservatives hoped that austerity would boost business confidence, there has been no evidence that this occurred, and the country continues to struggle against ongoing economic stagnation—only corroborating the power and continuing relevance of Keynesian economics.

And so the biggest question here is: What are the next steps necessary to preserve this recovery and encourage further growth?

RAISING TAXES TO INVEST IN THE FUTURE

In the short term, we must push past the manufactured "fiscal cliff" crisis. Many of us believe that the predicament could more aptly be described as a fiscal slope or even an "austerity bomb" – either term correctly emphasizing that this is a question about the deficit being too small, rather than too big. We must also support President Obama's proposal to allow the Bush tax cuts on the wealthiest 2 percent to expire at the end of this year.

And in the longer term, we need a broader set of revenue increases, since, as Roosevelt Fellows Mark Schmitt and Jeff Madrick point out, it is clear that the real problem with our current tax system is that we don't raise enough revenue. Madrick points out:

"[I]n three years or so, America will need a sharp tax increase. Its average tax rate, including federal, state, and local, is 10 percentage points below the OECD average. If that is reduced to five percentage points, it would raise nearly $1 billion more a year. There is little evidence such an increase would impede economic growth.
Any such tax increase should only partly be used to pay down the debt. It should be used to shore up major entitlements programs, develop a public option for health care, and increase infrastructure and education spending."

With little or no evidence that cutting public spending during recessions is good for economic health or growth, we must resist arguments to do so – however loud they may be – and, following FDR's lead, fight the difficult fight and invest in our own economic future. ■

THIS SPECIAL ISSUE OF REVUE ANALYSE FINANCIÈRE FOCUSING ON THE US ECONOMY FEATURES ARTICLES BY:

• **Felicia Wong**, CEO of the Roosevelt Institute, a leading progressive public policy organization, who makes the case for increased stimulus spending;
• **Robert J. Shapiro**, chairman of Sonecon, principal economic adviser to President Clinton in his1992 campaign, senior economic adviser to President Obama in his 2008 campaign, and former Under Secretary of Commerce for Economic Affairs in the Clinton administration-at a time of unprecedented prosperity driven by technological change- analyzes the links between innovation and economic growth;
• **John C. Weicher**, Director of the Center for Housing and Financial Markets at the Hudson Institute, former Assistant Secretary for Housing and Federal Housing Commissioner in the Bush administration, examines the conditions for a recovery of the housing sector;
• **Vincent H. Smith**, director of the American Enterprise Institute's 2012 Farm Bill agricultural policy initiative and co-director of Montana State University's Agricultural Marketing Policy Center explains the shortcomings of federal subsidies for farmers;
• **Vincent Bazi** and **M. Nicolas J. Firzli**, cofounders of the World Pensions Council, highlight the challenges faced by US public pension in the current circumstances.

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