
Opinion: A new economic strategy for America - Jeffrey Sachs



President Barack Obama has failed to lead the country out of crisis, the author writes. | AP Photo Close

Almost the [entire country](#) seems to agree that the debt deal is miserable. Yet the shouting does little to clear up what is really wrong with the deal and with the U.S. economy. Democrats blame Republicans, and Republicans blame Democrats. But both parties are [partners in America's decline](#).

We need a new direction in the country, and that requires taking on the powerful interests represented by both political parties.

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President Barack Obama has [failed to lead](#) the country out of crisis. This is not just because of right-wing opposition, but also because Obama has promoted the wrong ideas. He came to office following the end of a Wall-Street-fueled consumption binge that had started during the Clinton administration and collapsed in 2008.

Obama's misguided strategy was to try to revive America's over-consumption, through a series of

tax cuts, increases in government spending, wasteful programs like "cash for clunkers" and a flood of liquidity from the Federal Reserve Board. The strategy was misconceived: once a bubble bursts, it cannot –and should not — be recreated.

Obama surrounded himself with the Wall Street types who had deregulated the financial sector and thereby created the bubble economy under President Bill Clinton – Robert Rubin, Larry Summers, Gene Sperling and many others.

What kind of [economic policy](#) can one expect when nearly every senior administration official on the economic team is tied to Wall Street? The answer is predictable: One that is unfair, shortsighted and loaded with gimmicks. Yet in our exhausted, post-binge economy, the gimmicks don't even create a blip in jobs and growth, much less a sustained recovery.

Obama's fiscal policies have been [especially naïve](#). He inherited a \$1 trillion deficit and immediately announced a "stimulus" bill to raise the deficit by another \$400 billion or so per year. His idea was to throw money at the recession, in the name of raising "aggregate demand."

Instead of being a careful steward of the nation's budgetary resources, Obama acted as if it did not matter to run up the public debts at an unprecedented rate. He was egged on by an incredibly crude version of Keynesian economics that should have had no place in national policy making.

The Republican opposition is, of course, [far nastier](#) and its economics are even worse. The GOP holds that there is one and only one answer to every problem: lower taxes on the rich.