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FED CHAIRMAN BEN BERNANKE ON THE URGENT NEED TO TACKLE THE DEBT THREAT

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Leading economic and fiscal experts continue to call for serious entitlement reform to avert the explosion in debt and the shredding of the social safety net. In a [speech](#) delivered in Rhode Island last night, Federal Reserve Chairman Ben Bernanke issued a clear warning for policymakers to fix Washington’s fiscal mess, noting the severe economic consequences if we fail to act. The following are highlights from Bernanke’s speech:

SEVERING HISTORIC LEGACY OF LEAVING NEXT GENERATION WITH A STRONGER, MORE PROSPEROUS AMERICA

“Countries that continually spend beyond their means suffer slower growth in incomes and living standards and are prone to greater economic and financial instability. Conversely, good fiscal management is a cornerstone of sustainable growth and prosperity.”

“Steps taken today to improve the country's longer-term fiscal position would not only help secure longer-term economic and financial stability, they could also improve the near-term economic outlook.”

“Failing to address our unsustainable fiscal situation exposes our country to serious economic costs and risks.”

“Our public finances are ... on an unsustainable path in the longer term, reflecting in large part our aging population and the continual rise in health-care costs. We should not underestimate these fiscal challenges; failing to respond to them would endanger our economic future.”

PROSPERITY PLAN NOW or PAINFUL AUSTERITY LATER

“The threat to our economy is real and growing, which should be sufficient reason for fiscal policymakers to put in place a credible plan for bringing deficits down to sustainable levels over the medium term. The sooner a plan is established, the longer affected individuals will have to prepare for the necessary changes.”

“Fiscal adjustments sufficient to stabilize the federal budget will certainly occur at some point. The only real question is whether these adjustments will take place through a careful and deliberative process that weighs priorities and gives people plenty of time to adjust to changes in government programs or tax policies, or whether the needed fiscal adjustments will be a rapid and painful response to a looming or actual fiscal crisis. Although the choices and tradeoffs necessary to achieve fiscal sustainability are difficult indeed, surely it is better to make these choices deliberatively and thoughtfully.”

To access Chairman Bernanke’s full remarks:

<http://www.federalreserve.gov/newsevents/speech/bernanke20101004a.htm>