



## How Scary Is Sequestration?

by Patrick Appel and Gwynn Guilford

Christopher Preble [embraces](#) it:

Americans shouldn't worry that sequestration will make our defense budget too small. We account for approximately 48 percent of the world's military spending. We will retain a margin of superiority over any conceivable combination of rivals, including China, even if our share of military spending fell to 44 or 45 percent of the world's total. Sequestration was no one's first choice, but keeping our reckless spending and strategic myopia on auto pilot is worse.

Benjamin Friedman calls sequestration the "new Y2K" because it's "coming at the start of next year, hardly anyone understands it, and important people say to freak out about it." He [explains](#) why we shouldn't:

As for arguments about sequestration's massive economic effect..., suffice it for now to say that a reallocation of about 0.3 percent of GDP is likely to have a minor but positive long-term impact on jobs and growth. True, that positive impact requires what economists call structural adjustment, which in plain English means it takes a while, and in the meantime some people lose jobs. That makes the change worthwhile but politically tough, a problem that isn't unique to defense spending.

However, digesting a recent Goldman Sachs research report, Jared Bernstein [isn't ruling out](#) the possibility of a devastating blow in early 2013:

I'm not sure GS is right about the immediacy of the magnitude of these spending cuts on growth. As I've written [before](#), there are considerable lags built into the way money flows from the government to, say, defense contractors. Projects they're doing today were paid for a year or two ago. Nevertheless, the GS researchers are thinking about the way these dollars flow through the national accounts—as government spending which feeds into GDP—so they've got a point. And even if the sequester part of [the Q1 2013 projection] is off by, say, a third, that's still a big hit to an already too wobbly economy.

Jordan Bloom [zeroes in](#) on the hypocritical politicking surrounding the sequestration. Meanwhile, Scott Lilly [breaks down](#) how airports could face closures as a result of the cuts:

The required 9 percent to 10 percent cut in Federal Aviation Administration spending, about \$1.35 billion, must be taken equally from all activities, and that includes operations—in other words, the control towers. Even within the agency's operations account there is little flexibility. Some airports, mostly smaller ones, are operated under contract, which means the control towers are run by employees of a private contractor and not by Federal Aviation Administration controllers. But

since the money that supports those contracted services are discussed separately in the Appropriations Committee reports that fund the agency, they are, under the terms of the sequestration law, a separate activity and must be cut by no more or no less than the funding provided for agency-operated control towers.