

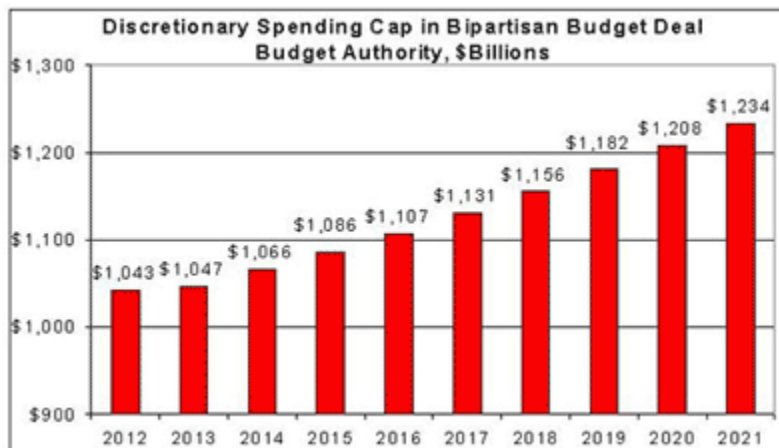


Budget Deal and the Economic Outlook

By [Bill Conerly](#) Aug 2, 2011, 6:26 AM [Author's Website](#)

Keynesians are bemoaning the new budget deal. Cutting federal spending when the economy is soft will further weaken us, according to textbook economics. There are some economists who dismiss Keynesian theory. I'm not quite there; I think the theory has validity. However, I believe that the magnitude of the impact is much smaller than most people think, certainly smaller than one would get judging the size of newspaper headlines or the shrillness of Washington pundits. So I think it's important to the economic outlook to understand just how much government spending is being cut. The first estimate I've found is from the [Cato Institute's Chris Edwards](#) (hat tip to [Tyler](#)

[Cowen](#).) Here's his chart:



Well, fiscal 2013 certainly looks flat compared to 2012. Thereafter the increases are ... increases, not decreases.

I have not verified Edwards's calculations; if you see contrary opinion from a credible source, please post in the comments.