



Washington nerves jangle at sequestration

By James Politi and Nicole Mortimer – February 27, 2013

It is the middle of lunch break on Monday, but no one is queueing at the Basil Thyme Food Truck at L'Enfant Plaza in southwest Washington.

Surrounded by drab grey-and-white federal buildings, Brian Farrell, the 39-year-old owner of the mobile restaurant, denies that his customer base of federal workers is turning away from his \$11 gourmet lasagnes. Rather, he pins the blame on sequestration – the automatic spending cuts worth \$85bn over the next six months that will kick in on Friday.

“That is a sign people are concerned,” Mr Farrell says. “I had a customer today tell me, ‘I think I might get canned.’ Then she said, ‘Well I might not get canned, but furloughed for sure’,” he adds.

With no deal in sight in a gridlocked Congress, nervousness about the looming government spending reductions is mounting across America. But the US capital and its surrounding region is sequestration's ground zero, where the angst is most palpable and the pain will be most acute.

The region comprising the District of Columbia and neighbouring Maryland and Virginia is the most heavily dependent in the country on US government outlays. According to the Pew Center on the States, 19.7 per cent of economic output in DC, Maryland and Virginia comes from federal spending on procurement, wages and salaries, compared with the national average of 5.3 per cent.

Hawaii, Alaska and New Mexico trail just behind as the states that would suffer most from the cuts, according to 2010 data. On the opposite end of the spectrum are Delaware, Minnesota and New York – where federal spending is least dominant.

“If I was the governor of the Commonwealth of Virginia, I'd probably be freaked out,” said Scott Walker, the Republican governor of Wisconsin, where federal spending accounts for just 4.6 per cent of economic output, as he attended meetings of the National Governors Association last weekend.

Virginia is home to the Pentagon and many other US military facilities, including the big naval shipyard in Newport News, which President Barack Obama toured this week in an effort to put pressure on Republicans to compromise in a bid for a deal to avert the cuts.

Officials are trying to take the prospect of cuts in stride. “It's not like they are going to turn the lights out on Friday,” says Pedro Ribeiro, communications director for the Washington

government, led by Mayor Vincent Gray. But Mr Ribeiro says they are bracing themselves for the loss of federal grant money and revenue, given the large chunk of the district's population that are federal workers.

“They are buying lunch here, they are going shopping in our stores – and so a lot of that economic activity is in danger if you start furloughing federal employees,” says Mr Ribeiro. “And if they're district residents as well, that means they're not getting paid and that means there's less taxable income.”

But if any region of the US is able to withstand such a shock, it is probably the Washington area, whose economy weathered the housing crash, financial crisis and recession better than many others, partly because of its reliance on the federal government. The District of Columbia's unemployment rate of 8.5 per cent is above the national average, but those of Maryland and Virginia are much lower, at 6.6 per cent and 5.5 per cent respectively.

And advocates for smaller government and less bureaucracy are cheering on the cuts, arguing that they are long overdue. “Sequestration isn't the ideal way to cut spending, but it would be a start,” wrote Tad DeHaven of the libertarian Cato Institute. “And despite all the wailing and gnashing of teeth, the areas of federal spending targeted by sequestration should be cut,” he added.

But in the heart of Washington, fear runs deep. “Of course I am concerned about the sequester. A lot of people in my office are expecting it to happen, they don't have much hope it will be resolved,” says Kathryn MacKay, 28, of the Federal Aviation Administration, where unpaid leave could start in April.

“It wouldn't affect me in a personal way, but it would affect our travel budget and our training budgets, which would impact the agency overall,” says George, 26, of the Department of Housing and Urban Development. On avoiding sequestration, he says: “I am not looking at it optimistically. I think right now, everyone is just blaming each other.”

Mr Farrell of Basil Thyme is downbeat. “We aren't being sequestered, but if our numbers drop 25 per cent, then we aren't even making margins,” he says. “On a normal day, we serve 100 people. Today we have done about 30 and we will be lucky to get 50 customers. It just doesn't seem balanced, people playing tug-o-war with people's lives.”