

## Don't Fear the Sequester

Far from being an apocalypse, its cuts don't do nearly enough.

By Michael Tanner February 6, 2013

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On March 1, we are told, the world will end. No, that's not a new Mayan prophecy; it's the date on which the spending sequester goes into effect, after being postponed for two months as part of the fiscal-cliff deal. As we move closer to this \$965 billion reduction in projected federal spending over the next ten years, voices on both the left and the right are warning that the result will be a disaster of near Biblical proportions.

President Obama says that the sequester will mean “workers being laid off, kids kicked off Head Start, and food safety inspections cut.” Congressional Democrats are no less apocalyptic. Representative Linda Sanchez is typical, claiming that “draconian cuts to critical domestic programs could devastate our current economic recovery.” The first news stories have already appeared warning that the sequester would be “devastating to national parks.” Meanwhile, on the right, Senator Lindsey Graham claims that the sequester would “dismantle the military,” while Senate minority leader Mitch McConnell warns of the “crippling effect these reductions will have on our nation's security.”

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There is no doubt that the sequester is a blunt instrument. Across-the-board budget cuts preclude prioritization, cutting the occasional worthwhile program as much as wasteful ones. It is in many ways a lazy alternative to actually doing the hard work of budgeting. But devastating? Crippling? Hardly.

Start with the fact that the sequester is a “cut” to federal spending only in the Washington sense of “any reduction from baseline increases is a cut.” In reality, even if the sequester goes through, the federal government will spend \$2.14 trillion more in 2022 than it does today.

The sequester would reduce the growth in domestic discretionary spending by \$309 billion over ten years. But annual spending on these programs will still increase by \$90 billion over that period. If we are actually spending more in 2022 on domestic programs than we are today, it is hard to see too many children starving in the street. Moreover, entitlement spending, the fastest-growing portion of the domestic budget, will hardly be touched by sequestration. It will continue to increase at the same astronomical rate as before.

What about defense spending? Defense spending will indeed decline initially in real terms, but on an inflation-adjusted basis, will never fall below 2007 levels. By 2015 it will begin rising again, surpassing 2012 levels (\$554 billion) by 2019 and reaching \$589

billion by 2021. Overall, annual defense spending will average \$540 billion over the next ten years. By comparison, the United States spent, in 2013 dollars, an average of just \$435 billion per year on defense during the Cold War (1948–1990), when we faced a much greater conventional threat. It is also important to note that this is only base defense spending, and does not include war spending (\$90 billion in 2014), which is largely exempt from the sequester.

As recently as yesterday, the president referred once again to the sequester's "deep" cuts, so let's be clear about just how small those cuts are in the larger scheme of federal spending. The current baseline calls for the federal government to spend \$44.8 trillion between now and 2022. The sequester would reduce this by roughly \$1.16 trillion (including reduced interest payments). That amounts to less than 2.6 percent of projected spending over the next ten years. In fact, over those ten years, the national debt would still increase by \$8.5 trillion, reaching \$24.9 trillion in 2022. And this is all assuming that future Congresses don't undo the cuts in the out years.

For 2013, the only year that we know definitely counts, the sequester would slow the growth in federal spending by just \$85 billion, from an expected budget of \$3.55 trillion — less than a 2.4 percent reduction. When you consider that the federal government borrows \$85 billion every 28 days, it's hard to honestly call the sequester draconian.

Defense spending would be cut by just \$42.7 billion this year, and \$55 billion per year subsequently. Next year's pre-sequester defense budget was projected to be \$552 billion, meaning the sequester cut would amount to a 10 percent cut. (again, not including \$90 billion in war funding for Afghanistan and other operations). That might be a larger cut than some might like, but we shouldn't expect al-Qaeda to wade ashore in Long Beach any time soon.

Similarly, domestic discretionary spending would be reduced by just \$28.7 billion, out of a projected \$587 billion. In following years, the difference from the baseline would run from as little as \$32 billion to a maximum of \$37 billion.

Entitlement spending, meanwhile, would barely be trimmed — it would be cut by just \$14 billion in 2013, roughly 0.7 percent of our projected spending this year. That rises to a \$23 billion reduction in 2022, which is still trivial.

In fact, after ten years of the sequester, by 2022, federal spending will still consume 22.9 percent of GDP. That's far higher than the post-World War II average of 19.8 percent. In fact, government spending under President Bill Clinton was as low as 18.2 percent of GDP, and yet somehow we managed to have safe food and educated children during the Clinton administration.

The sequester may be a flawed policy, but it is pretty much the only game left in town when it comes to reducing government spending. As we have seen, it is far too small, and doesn't really shrink government. But, as the proverb goes, the journey of a thousand

miles begins with a single step. And, if Republicans can't take even this tiny step, it is unlikely that they will even attempt the arduous journey to come.

What happens next lies in the hands of John Boehner. If Speaker Boehner allows a floor vote on a bill to reduce, eliminate, or further postpone the sequester, it will likely pass with enough GOP defense hawks joining House Democrats to provide the needed 218 votes. The speaker has taken this route in the past, most recently on the fiscal cliff, and there are backbench Republicans who believe he would like to do so again.

If that happens, the GOP will have abandoned any claim to being taken seriously on the issue of spending discipline.