

Sequester Cuts in Perspective

By: Veronique de Rugy - February 25, 2013

Over at Cato@Liberty, Tad DeHaven has a useful chart that puts the FY 2013 sequester cuts in perspective.

As the CBO report shows, only \$44 billion of the \$85 billion sequester will be cuts in actual federal outlays for 2013. That number pales in comparison with the projected level of spending that year, the \$845 billion deficit, and the \$224 billion on interest payments.

DeHaven is right to note that it is unfortunate that so few of the cuts will fall on the part of the budget that is actually responsible for the largest share of the spending and is also the driver of our future debt: entitlement programs, such as Medicare. As designed, sequestration will hit the discretionary spending the hardest. But that too can be put in perspective. According to CBO, the last time discretionary outlays totaled \$1,285 billion was in FY 2009 (see historical Table 8.1). As it happens, FY 2009 was actually a year of very large spending, no matter how one looks at it.

According to the Pentagon, the administration, and other Washington actors, these \$44 billion in cuts will trigger endless levels of pain. Here are a few examples from the president's weekly address:

Thousands of teachers and educators will be laid off, and tens of thousands of parents will have to scramble to find child care for their kids.

Air-traffic controllers and airport security will see cutbacks, causing delays across the country.

These cuts will set back medical science for a generation.

The cuts have already forced the Navy to delay the deployment of an aircraft carrier to the Persian Gulf — affecting our ability to respond to threats in an unstable part of the world.

Almost 800,000 defense employees — the equivalent of every person in Miami and Cleveland combined — will be forced to take unpaid leave.

From media reports:

The New York Times: The sequester could cost 2.14 million jobs and add 1.5 percentage points to the unemployment rate.

The Washington Post: the Federal Aviation Administration would have no alternative but to furlough thousands of employees as it seeks to slash \$600 million.

Forbes: The Federal Bureau of Prisons would cut \$338 million, furloughing 36,700 staff. This will endanger the safety of staff and over 218,000 inmates.

The Hill: A trio of the nation's top financial regulators would face millions of dollars in cuts under the sequester — a budget squeeze that could limit their ability to conduct examinations, purchase needed technology, and generally keep a close eye on Wall Street.

The Washington Post: “Many [federal employees] will be missing eight, 10, 20 days of work,” Alex Bastani, president of Local 12 of the American Federation of Government Employees (AFGE), told a standing-room-only crowd of 400 Labor Department employees Thursday at a lunchtime town hall on sequestration.”

And then, of course, there are the Pentagon's warnings. The New York Times reminds us:

In recent weeks, Pentagon officials and military commanders have warned of catastrophic consequences, using the most operative terminology they can find — “dire” and “devastating” cuts will reduce America's military machine to a “hollow force” — to dramatize their point. Troops will be insufficiently trained and equipped, and thus be at greater risk of losing their lives if deployed to a conflict zone. Two carrier strike groups won't be deployed as planned. The Navy will be forced to shut down four air wings, and after 90 days, pilots will lose their certifications and have to be retrained. The list goes on.

It will be interesting to see what happens and what doesn't. But while there is no doubt that some of the cuts will be tough on some interest groups — in particular the ones who are the most dependent on government spending — the impact is likely to be much smaller than these warnings would suggest. The same is true about the defense cuts. I have said it before, but defense spending will be growing for most years after the sequester takes place. Don't take my word for it; look at the CBO report yourself. The relevant table is 1.5 on page 27 (page 26 for budget authority). You can also read Saturday's Examiner piece by Byron York on the issue, which lists the amounts for defense spending from FY 2014 to FY 2021. As he notes, the war spending is over-inflated, but with or without war costs, defense spending is growing. It may not be growing as fast as some would like, but it is growing nonetheless, and with the exception of 2014 will remain about \$500 billion. (The biggest impact of sequestration will take place in FY 2013, as I mentioned above, but it is not represented in this table. You can see the trend in overall spending on Table 1 of that same report.)

Setting aside the rhetoric about how defense spending should never be cut — ever — some readers have commented that sequester cuts will be painful because, among other things, we are already in the middle of a fiscal year, and that means that the cuts will have to take place over seven months rather than twelve. That may be true, but whose fault is it? We have known about sequestration since the end of November 2011 when the supercommittee failed to come up with a deal to reduce the debt by \$1.2 trillion. It means that for a year and a half, the Pentagon (and other federal agencies) could have actually prepared for the cuts and offered targeted replacement spending reductions of the same amount. That didn't happen, and now the already less-than-ideal sequester is made a little worse.

The good news is that according to many experts, targeting spending cuts can still be accomplished. For instance, William Hartung, the director of the Arms and Security Project at the Center for International Policy, explains over at CNN:

There is no question that the Pentagon can reshape its budget to meet current challenges while saving hundreds of billions of dollars in taxpayer funds. The Pentagon and the armed

services should spend more time looking for ways to impose spending discipline and less time trying to prop up their budgets at levels we don't need and can't afford.

Hartung goes on to suggest some smarter ways to cut spending than the sequester. The whole thing is here.