



Why The Sequester Budget Cuts Are Good

By: Hans Bader - February 25, 2013

As we noted earlier, the automatic budget cuts contained in the sequester will help the economy in the long run, even if they are painful in the short term. This is partly because the budget cuts, by reducing America's trillion dollar budget deficits, will reduce the future economic burden of servicing America's skyrocketing national debt, a burden that will crowd out private investment.

The Cato Institute describes why most of these cuts are a good thing on their own merits as well (and not just for the macroeconomic reasons we gave). For example:

- Why the Department of Defense should be downsized.
- Why unemployment benefits should be cut and the unemployment insurance system reformed.
- Why Head Start and other Department of Health and Human Services subsidy programs should be cut.
- Why subsidized loans from the Small Business Administration should be cut.
- Why federal subsidies to firefighters should be cut.
- Why community development programs at the Department of Housing and Urban Development should be cut.
- Why HUD public housing and rental subsidies should be cut.
- Why federal employee pay should be cut.
- Why the Army Corps of Engineers should be cut.
- Why federal subsidies to state and local government should be cut.

Cato's Neal McCluskey explains why Obama's State of the Union proposal to expand taxpayer-funded pre-Kindergarten programs makes no sense, because neither Head Start nor Early Head Start works. (Some liberals say Head Start doesn't work because it doesn't start early enough, but Early Head Start, which starts earlier, doesn't work either.) Head Start has already wasted \$180 billion, and Obama has increased spending on it, but it has no effect on students' long-term achievement at all. So any cuts in Head Start due to the sequestration are long overdue.

Earlier spending cuts helped the economy. The U.S. experienced an "economic boom" after government spending was slashed in 1946, and Canada's economy grew after it slashed government spending in the 1990s. Congress needs to cut skyrocketing welfare spending, eliminate agricultural subsidies, and reduce wasteful education spending. It also can cut military spending significantly without harming national security.

It is proliferating regulations, not budget cuts, that threaten our economy. A flood of burdensome new regulations that had been on hold for more than a year suddenly were released after the election – in President Obama’s post-election Unified Regulatory Agenda and elsewhere. National Journal reported that “federal agencies are sitting on a pile of major health, environmental and financial regulations that lobbyists, congressional staffers and former administration officials say” were “held back to avoid providing ammunition to Mitt Romney and other Republican critics” during the election campaign. Obamacare has caused layoffs in the medical device industry, and will wipe out hundreds of thousands of jobs, while turning other jobs into part-time jobs. The Dodd-Frank Act has also wiped out jobs and driven other jobs overseas. Costly, harmful new employment rules have been imposed on American manufacturers. Democratic businessman Steve Wynn called Obama “the greatest wet blanket to business and progress and job creation in my lifetime.”