



More perspective on the sequester

By: Dustin Siggins - February 27, 2013

On Monday, Tea Party Patriots outlined three reasons Americans shouldn't be concerned about the supposedly devastating effects of the sequestration on the nation. On Friday, Cato's Michael Tanner did the same thing, in a five-part rebuttal to many of the Beltway talking points:

The sequester imposes savage spending cuts

Actually, the sequester doesn't cut federal spending at all, or rather it cuts it only in the Washington sense of any reduction from projected baseline increases is a cut. In reality, even if the sequester goes through, the federal government will spend more every single year. In fact, in 2023 it will be spending \$2.39 trillion more than it does today.

OK, but at least the reductions in projected spending are big, right?

Hardly. This year, the sequester would slow the growth in federal spending by just \$85 billion, from an expected, pre-sequester budget of \$3.64 trillion — less than a 2.3% reduction. To put that in perspective, the federal government borrows \$85 billion every 28 days. In fact, this actually overstates the size of this year's cuts. Because of ongoing contracts and the Byzantine labyrinth of federal budgeting, only \$44 billion of that \$85 billion will actually be cut from this year's budget. The rest will be cut in future years, but attributed to this year's budget. So, the real reduction in federal spending this year is just 1.2%. If the federal government can't reduce spending by less than a penny-and-a-half on the dollar without throwing us into the dark ages, something is truly wrong.

But aren't the cuts larger for domestic discretionary spending?

It is true that the cuts are not spread equally across all types of federal spending. Entitlement programs, such as Medicare, Medicaid and Social Security are generally exempt — Grandma's Social Security check won't be cut — meaning that discretionary spending takes a disproportionately larger hit. Still, we are talking about a reduction of less than 9%. That would leave domestic discretionary spending, after adjusting for inflation, at roughly the same level as 2009. You recall 2009, don't you? The starvation, the mass closure of our schools, the shutdown of the transportation system, the burning cities?

What about defense? Surely, the sequester guts defense

Defense does take the biggest cut under sequester, nearly 13% of planned spending. In fact, defense spending would really be cut, in the sense of actually spending less, over the next two years. Still, it would never fall below the level of spending we had as recently as 2007, a year we managed to survive without al Qaeda wading ashore in Long Beach. Beginning in 2015, defense spending would start rising again, in real terms, and would exceed current levels by 2019. Keeping all this in perspective, over the entire 10-year period covered by the sequester, defense spending would average roughly \$100 billion more each year (after adjusting for inflation) than we spent at the height of the cold war.

I'm still worried about the impact on the economy. Some economists believe that the sequester will cost thousands of jobs and throw us into another recession. True or not?

The proposed spending reductions amount to less than 0.03% of our gross domestic product. If our economy can't survive spending cuts of that size, we truly are Greece. Of course, in the short term, there will be some layoffs and furloughs. This will be hard on some communities that depend heavily on government spending, and even harder on those workers directly affected. However, most of the numbers cited about the numbers of jobs at risk come from industry groups with a vested interest in making the cuts look as bad as possible.

Tanner's points are exactly correct, and are necessary to refute the talking points of big spenders in both parties. Sequestration merely slows the growth of spending – and it took all the political will and power of the Tea Party to even get Washington to agree to their own law. If the American people can't handle a reduction in spending of less than 1/25, we really are doomed. Yet if we don't go further, and actually cut spending in real dollars, Greece's fiscal downfall will be but a molehill compared to the mountain which America's finance-driven collapse will bring upon the world.