

# The Washington Post

## Economists argue about sequestration's effect on jobs

By Marjorie Censer - October 14<sup>th</sup>, 2012

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As a prominent analyst of the local economy, Stephen S. Fuller of George Mason University's Center for Regional Analysis attracted plenty of attention when he estimated that the mandatory budget cuts coming in January could cost more than 2 million jobs nationwide, including nearly 450,000 in the District, Maryland and Virginia.

The conservative Cato Institute challenged those estimates — and let Fuller defend himself — at a debate last week.

Jobs have become a key discussion point when it comes to sequestration, or about \$1 trillion in federal spending cuts set to take effect in January.

Local political leaders at all levels have worried these cuts will take a toll on the area's workforce, which is very dependent on federally-funded jobs, whether it be direct government work or contracting.

Fuller's work, commissioned by the Aerospace Industries Association, has been used by politicians and industry backers eager to get Congress to postpone the cuts.

But at last week's event, Benjamin Zycher, a senior fellow at the Pacific Research Institute, argued that Fuller's study is flawed because it fails to consider what would happen to the dollars not being spent by the federal government.

"Resources previously used for defense can be used for government programs or returned to the private sector, resulting in increased employment in those sectors," he said. Fuller's "model is of short-term effects."

Zycher added that the government shouldn't be making decisions based on employment, but instead based on the actual defense needs of the country.

“What are our vital interests? What is the force structure needed to defend them and what is the cost of that force structure?” he told the audience. “It is not whether there is going to be increased short-term unemployment in Virginia, Ohio or anywhere else.”

In response, Fuller maintained that sequestration would take a serious toll on the economy. He noted that the pain would be particularly sharp in the first year of sequestration, because the fiscal year has already begun, and agencies would have to make large cuts in a shorter time period.

Fuller said his analysis “wasn’t [meant] to test whether or not that spending could have been more productive in the private sector versus the public sector. That’s a different analysis.” he said. But “unemployment does have a cost. . . . When we take money out of the economy, it has a cost.”

He noted that there would be cuts to agencies and services citizens care about, from the FBI to the passport administration office.

And money cut from the government couldn’t be redeployed in the private sector, he added, “because that money is all borrowed.”

Still, the analysts came to little agreement at the event. Zycher said he remains generally skeptical that government spending produces jobs.

“Conservatives . . . are highly dubious about the purported [gross domestic product] and employment benefits of federal domestic spending, as illustrated by the meager effects of the Obama stimulus fiasco,” he said. “There’s no particular reason to believe that defense spending is different.”