



KITCHEN TABLE ECONOMICS

Does The Sequester Hurt The Economy?

The Federal government budget “Sequester” is in the news again.

The Sequester is an \$85 billion collection of automatic spending cuts imposed on the 2013 federal budget. The President and the Congress both agreed to the cuts after failing to work out a deal regarding how much government should borrow from future generations. The cost-cutting equals about 2.4 percent of the \$3.6 trillion that our government plans to spend this year. Major programs such as Social Security, Medicare and pay for the armed forces are exempt from cuts.

Put another way: \$3.6 TRILLION is really \$3,600 BILLION, and the Sequester is going to remove \$85 BILLION from that.

To put this in “kitchen table” terms, let’s say you planned to spend \$3,600 for gasoline this year. But at the very beginning, you are told there’s \$85 less available in your budget, leaving you with \$3,515 for the year rather than \$3,600.

Could you change your driving habits to make room for this loss? Have you already had to make sacrifices like this all through your family budget already?

That is what the Sequester is making the federal government do. It represents roughly 9 days of spending for the year.

There have been some popular programs reduced or temporarily eliminated as a result. Public tours of the White House and airshow performances by the United States Navy Blue Angels precision flying team are famous examples.

While cutting these is regrettable, it’s important to remember they are non-essential luxuries in the budget, and our federal debt is approaching \$17 trillion. That’s almost \$150,000 per taxpayer, enough for the federal government to have bought a home for most workers. Government needs to go on a diet and the Sequester is a tiny place to start.

Most important, despite warnings, Sequestration did not appear to damage our already struggling economy. In the days leading up to and after implementation of Sequester, the U.S. stock market raced to historic highs. Many American companies are becoming profitable and finally recovering from the “Great Recession.”

This is what happens when government spends less, leaving job creators and workers to spend more. Healthy economic growth resulted after budget-cutting during the Presidencies of Democrat Bill Clinton and Republican Ronald Reagan, and also happened when the Canadian federal government cut that nation’s budget during the 1990s.

In the end, economic growth will put more money into all of our budgets, so continued cost-cutting by Washington should be encouraged.