A Sequester of Competence

The world did not end in December 2012. The Mayans were wrong. So too were those who prognosticated that the Fiscal Cliff would end the world as we know it on January 1st 2013. But wait, we are supposed to believe that the four horsemen of the apocalypse will begin their ride on March 1st if [the sequester](http://www.washingtonpost.com/blogs/wonkblog/wp/2013/02/20/the-sequester-absolutely-everything-you-could-possibly-need-to-know-in-one-faq/) is allowed to come to fruition.

In 2012, the federal government spent $3.5 trillion dollars and ran a budget deficit of $1.151 trillion. If the sequester moves forward, (using 2012 numbers because Congress refuses to pass a 2013 budget), the federal government will *only* spend roughly $1.07 trillion more than it collects in taxes. There are many interest groups, government officials, leftist economists, and media outlets who think it absolutely irresponsible to only spend and borrow $1.07 trillion you don’t have when you could spend and borrow $1.151 trillion you don’t have. However, this cannot possibly pass the common sense test.

A $85.4 billion reduction in a three and a half trillion dollar budget amounts to a 2% cut in spending. That doesn’t mean that 2013 spending will be 2% lower than in 2012 even if the sequester is enacted. The continuing resolution that currently funds the federal government in absence of a budget ends on March 27th. It already [increased federal spending](http://www.heritage.org/research/reports/2012/09/fy-2013-continuing-resolution-spends-every-dollar-and-more) from 2012. In addition, fiscal year 2013 does not end until September 30th 2013 so there is yet room to increase spending again. Who knows how many “super storm” handouts Congress yet has up their sleeve?

In 2008 the federal government spent $2.983 trillion. By 2012 it spent over $3.5 trillion. In just four years, annual federal spending rose 17%. Even if the sequester amounted to a hard 2% reduction in government spending, federal government spending would still have risen 15% in just five years. For those who are historically challenged, you might not remember that in 2000, federal government spending was “merely” $1.789 trillion. Yes, the size of the federal government more than doubled in just 12 years. This wasn’t because of high inflation. Inflation, as measured by the CPI, accounts for only 1/3 of the increase.

Between 2000 and 2012, federal government spending as a percentage of GDP increased from 18.2% to 22.8% (down from the recession peak of 25.2% in 2009). The sequester, fully enacted, would only lower government spending as a percentage of GDP to 22.2%. How did we possibly survive with federal government spending “only” being 18.2% of GDP? Between 2000 and 2012, US GDP (in chained 2005 dollars) rose from $11.2 trillion to $13.6 trillion. The US has $2.4 trillion a year more in real purchasing power than it did in 2000 even after a decade of sluggish growth.

Is it that richer people need bigger governments? Is it that richer people want bigger governments? Or is it that Americans discovered(with a vengeance) that they can have the benefits of bigger government without the costs of higher taxes if they just pass the burden of today’s spending onto tomorrow’s generation of taxpayers? Would people want bigger government if they themselves had to directly pay for it?

The costs of bigger government are real, if sometimes hidden. Less dynamic economies and slower economic growth accompany bigger government. If unemployment increases in the near future politicians will quickly blame the sequester for slowing down growth. The truth is that bigger, more intrusive government has already succeeded in doing that for us. A reduction in federal government spending and the federal deficit are a small step toward the US regaining a sound economic footing.

There are better ways to cut spending than the sequester. Across the board cuts don’t prioritize spending. The fact that the President and Congress chose to forgo sensible cuts for potentially dangerous ones is a testament to the fact that they long ago stopped being competent.