

Synopsis: *Because Congress and the president have failed to rein in federal spending, their sequester is a laudable “blunt tool” that should be celebrated, not feared. Sequester spending reductions are minus-cule, so the whining of the Government Class should be ignored. And if our federal government doesn’t get its act together, we should employ more such blunt tools.*



TIME FOR BLUNT TOOLS

Or, How I Learned to Stop Worrying and Love the Sequester

by Tom Giovanetti

The Government Class is grinding its teeth and having anxiety attacks over the prospect of federal spending reductions scheduled to take effect on March 1 due to the process known as “the sequester.”

But don’t worry—the Government Class has excellent dental and mental health coverage. Probably better than yours. Which is part of the problem.

THE FEDERAL GOVERNMENT HAS FAILED

Though our elected leaders from both parties have known for decades that federal spending is growing beyond the ability of the private sector to support it, they have done nothing to address the problem. And now, when federal spending has grown to the point where servicing our accumulated debt and transfer obligations will soon paralyze government’s ability to perform its constitutionally mandated duties, Congress and the president are more polarized than ever over whether spending needs to be restrained at all.

Our elected officials have had countless opportunities to rein in spending through eliminating the ever popular waste, fraud and abuse, but they haven’t done it. They haven’t eliminated redundant and outdated programs. They haven’t reformed the increasingly dysfunctional budget process we’ve been stuck with since 1974. They haven’t stuck with their own Paygo rules. They haven’t reformed entitlements or the salaries and benefits for government workers that far exceed those in the private sector. And the final insult has been the U.S. Senate’s refusal to even pass a budget since April, 2009—a full year before the introduction of the iPad. Recently the House of Representatives has resorted to shaming the Senate into passing a budget by insisting that congressional pay would be withheld if Congress doesn’t pass a budget.

Our federal government has failed to do its simplest, most basic job. It’s time to bring in the blunt tools.

HENCE THE SEQUESTER

In some combination of desperation and political poker, during the debt ceiling confrontation in 2011 Congress passed (and President Obama signed) the Budget Control Act of 2011, which gave our politicians until December 2011 to cut federal spending by \$1.5 trillion over 10 years, in almost any way they chose. Or else.

The sequester was the backstop. If Congress and the president once again failed to address the spending problem, automatic cuts would accomplish through blunt tools what they could not do through the budget process they supposedly master.

And what, exactly, was wrong with such an approach? Nothing at all. Congress and the president agreed to reduce spending by \$1.5 trillion over 10 years. They gave themselves plenty of time to negotiate the terms, and they built in a device to do their jobs for them if they failed.

There is even some evidence that the sequester device itself was the White House's idea.

But blaming the sequester on Obama implies that there is something wrong with it—that the sequester was a bad idea that is going to cause problems. Nothing could be farther from the truth.

The sequester was a *brilliant* idea.

IT'S TIME FOR BLUNT TOOLS

"The sequester is the wrong way to do it," everyone says. Well, yes. Of course, a rational budget process would evaluate programs for effectiveness and would cancel programs that failed the test, had outlived their usefulness, or were redundant with other programs. A rational process would prioritize, and would not just cut everything by the same amount.

But they have had the time and power to do a rational budget process, and they have repeatedly failed. In this country, we expect schoolchildren to know that deadlines are deadlines, and if they don't get their homework done, to suffer the consequences. We expect you to pay your taxes on time, or you're toast. But Congress and the president should be let off the hook for repeatedly missing legal deadlines and letting the country's fiscal health go down the tubes? Maybe a ruling class operates that way, but not a constitutional republic.

It's time for blunt tools, and the Great Sequester of 2013 should be considered a model, not an apocalypse.

EMBRACE THE SEQUESTER

In fact, the sequester should be celebrated. Despite decades of lip service from both parties, this is the first serious attempt to rein in federal spending in almost two decades.

And after the sequester, when people begin to realize that they didn't need those few percentage points of federal

spending as much as they thought they did, it might whet their appetites for even more spending restraint.

That's what truly frightens the Government Class—that the sequester might actually work, and that when the curtain is pulled back, Americans will realize they don't need all the government they've been told they need.

In the meantime, if you find you need a source of comfort to help you though the sequester, try reading the latest issue of Senator Tom Coburn's *Wastebook*, or the *Congressional Pig Book* from Citizens Against Government Waste. It's time to start weaning the piglets.

IGNORE THE GNASHING OF TEETH

But when the bottle is withdrawn the baby cries. And the Government Class is in full-throated infantile wails about how much the country will be harmed by the sequester spending reductions. The litany is familiar, if tired: Air traffic controllers and airport security will be compromised, teachers will be laid off, people will lose access to vaccinations and cancer screenings, emergency responders will be forced to sit at home while their fellow citizens suffer, criminals will be released to the streets and national parks will close. The border will be unmanned and our troops will suddenly forget how to fight.

Even the Drudge Report got it wrong: "800,000 Pentagon Layoffs" screamed the Drudge headline on February 20. But the underlying news story made it clear that the Pentagon was talking about making civilian employees take a mandatory furlough day off each week, which is very different from the Pentagon eliminating 800,000 soldiers, which is what readers of the Drudge headline undoubtedly assumed.

Amid the hysteria, one has to ask: If the most critical functions of the federal government will be drastically harmed by a reduction of 2 percent, what on earth are they doing with the remaining 98 percent?

The fact is that the Government Class is terrified, and they are grossly exaggerating the impact of spending reductions. We know this from past experience, and because the spending reductions in the sequester are so insignificant that they give the lie to the Government Class's protestations.

THE SEQUESTER "CUTS" ARE NOT EVEN REALLY CUTS

For decades, federal spending has been on autopilot to grow by 3-4 percent each year unless Congress and the president decide to spend even more, as they often do. This "current services budgeting" means that when the federal government says spending is "flat," it's actually going up by a significant amount.

Most of the time when Washington politicians talk about spending "cuts," they actually mean reductions in the amount that spending is scheduled to *increase*, and not true

cuts from the previous year's spending, which would be the normal sense of the word.

The same is true of the sequester. Overall federal spending will still be higher in 2013 than it was in 2012, even with the sequester. And almost all federal agency budgets will still be higher in 2013 than in 2012—again, even with the sequester.

If you are expecting a pay raise of 4 percent and you're informed that it will only be 2 percent next year, that's not a cut—it's less of a raise. You might wish for that 2 percent, but you could hardly claim that your personal finances were going to be destroyed because your raise would be less than expected. Unless you've already irresponsibly spent the money before you got it, as our federal government has.



THE SEQUESTER "CUTS" ARE MINUSCULE

In 2013, total federal spending will be \$3.7 trillion—still higher than in 2012.

Over the 10 years covered by the sequester reductions, federal spending will continue to grow every year, but will grow by \$1.6 trillion instead of by \$1.7 trillion. The budget will remain out of balance and the national debt will continue to grow. The sequester is not nearly substantial enough to balance the budget or reduce the size of the federal government to a reasonable level, such as down from its current 24+ percent of GDP to a more reasonable 18 percent. It's also not enough to keep federal spending from rising to an economy-breaking 40 percent of GDP, as is currently projected.

Another way to look at it: The impact of the sequester in 2013 represents only 5 percent of the almost entirely wasted \$850 billion stimulus program. For some reason, spending and wasting \$850 billion is just fine with the Government Class, but claw back 5 percent of it and it's a zombie apocalypse—of course, since the federal government funded first

responder training for a zombie apocalypse, we should still be okay.

THERE WILL BE BLOOD

But let's not kid ourselves. Of course, cutting federal spending of necessity means job losses. Under the last two administrations government has become such a large percentage of the economy that one cannot reduce the size of government without reducing employment that is dependent on government.

Finding new, more productive forms of employment for these workers will require growing the private sector economy rather than growing the government sector. A combination of tax reform and relief from a number of

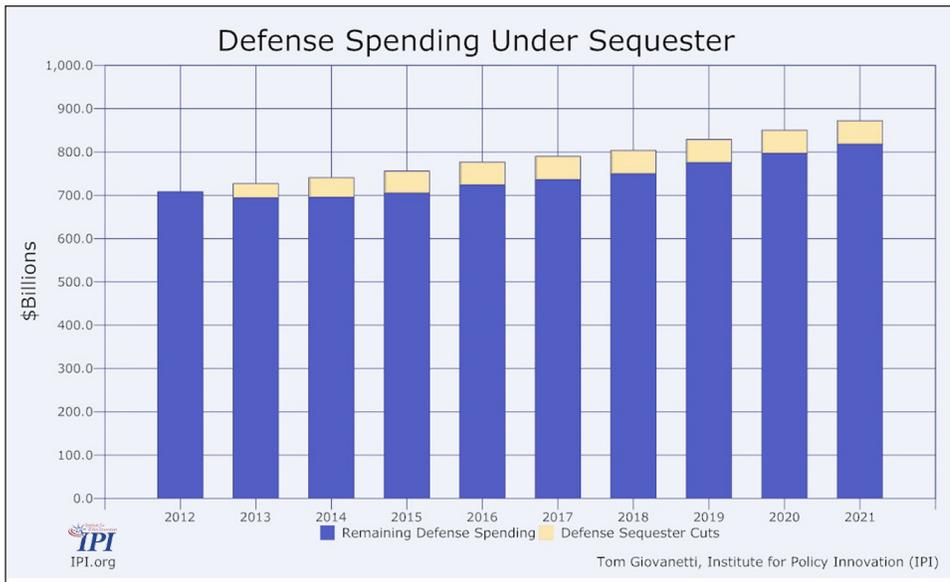
job-killing policies of the Obama administration will be necessary in order to get the economy growing again and put these folks to productive work.

But because government is among the least productive parts of the economy, a reduction in government spending should have less harm on the economy than an equal reduction in private sector investment, which at least implies that a redeployment of labor from the government sector to the private sector should result in economic gains for the country over time, as less productive assets (government workers) are redeployed in more productive endeavors (anything other than government).

So it should not surprise anyone if job loss and unemployment statistics are worse rather than better after the sequester cuts. Reduction in government's share of the economy, however, ultimately will be a net gain to the economy.

Even the government's own Bureau of Labor Statistics finds that the private sector produces \$54.38 of value for every hour worked, while government produces \$37.29. So transferring labor and capital from the government sector to the private sector should produce gains over time.

Further, why should government workers be insulated from the failure of their employers to manage their enterprises? In the private sector, if a company is losing money or if its management runs the company into the ground, at least some of the employees lose their jobs. Government should be no different. The federal government is utterly failing to manage itself, running gigantic budget deficits for decades. There is no reason why federal employees should be insulated from the failures of their employers. Unless, that is, government employment is actually a protectionist racket for federal unionized workers.



WHAT ABOUT DEFENSE?

It's true that the greater share of the sequester falls on defense spending. But in no way will America's national defense be imperiled, even for a few minutes, by the sequester.

Under the sequester, defense spending will never fall below 2007 levels. And defense spending in 2007 was no slouch—in fact, defense spending in 2007 had increased by 75 percent over the pre-9/11 levels of 2001. A strong national defense could be maintained with even larger spending cuts. Did anyone think in 2004 or 2005 that we were spending some dangerously low amount on national defense?

And defense spending will immediately begin increasing again. In fact, defense spending will grow by 17 percent over the 10-year term of the sequester. In 10 years defense spending will be significantly higher than it is today—just a little bit less than it would have been without the sequester.

The reason you're hearing so much whining about "military training and readiness" from the Government Class? What you'd normally be hearing about is military salaries being in jeopardy, except that *Congress wisely exempted our soldiers' salaries from the sequester.*

Ultimately, if the Department of Defense cannot protect Americans with the same \$700 billion it had in 2007, the wrong people are running the Department of Defense.

Finally, too many seem to be falling into the trap of thinking that our commitment to defense is entirely a function of how much money we spend on defense. But we don't think it's right to measure our commitment to education based on federal education spending, do we? Why should the Defense Department not be subject to real-world budget considerations?

MORE BLUNT TOOLS

If the sequester is permitted to reduce spending, policy-makers should immediately begin employing more blunt

tools. The next sequester, for instance, should include rather than exclude entitlements. Even the sacred cow of Social Security should not be exempt. No one believes that cutting Social Security benefits by ½ or 1 percent will result in anyone being thrown out into the streets.

Further blunt tools should be considered. When Obama threatens that "If Congress won't act, I will," he expresses a blatantly unconstitutional sentiment. But guess what IS Constitutional? "If Congress won't act, the states will." The Constitution provides a means for the states to bypass Congress and the president entirely and ratify constitutional amendments via convention.

Is now the ideal time for the states to call a constitutional convention for the purpose of ratifying a spending limitation amendment?

CONCLUSION

Our elected officials have had years, decades even, to make the hard choices necessary in order to balance the budget and keep government limited as a share of the overall economy. In light of their repeated failures, blunt tools such as the sequester spending cuts are necessary.

Those who believe in spending restraint should not be cowed by the pleadings of the Government Class into surrendering the spending reductions hard won through the sequester process. Rather, we should begin now planning the next round of sequester cuts. And, if necessary, we should begin considering the logistics of a constitutional convention designed to ratify a spending limitation amendment.

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