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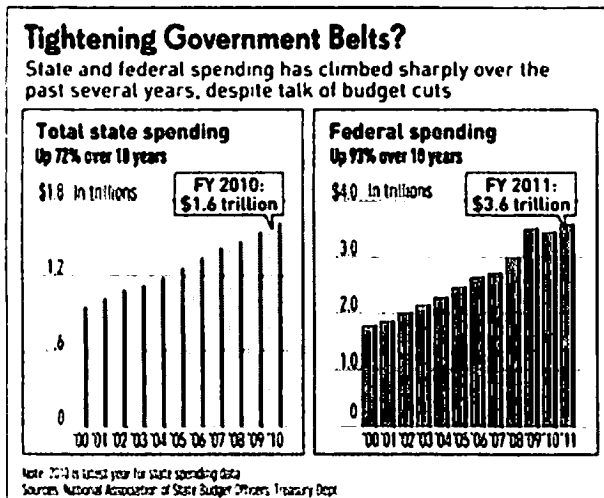
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POLITICS

The Austerity Myth: Federal Spending Up 5% This Year

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When Republicans took control of the House in January, they pledged to make deep cuts in federal spending, and in April they succeeded in passing a bill advertised as cutting \$38 billion from fiscal 2011's budget. Then in August, they pushed for a deal to cut an additional \$2.4 trillion over the next decade.

Some analysts have blamed these spending cuts for this year's economic slowdown.

But data released by the Treasury Department on Friday show that, so far, there haven't been any spending cuts at all.

Higher Spending, Deficits

In fact, in the first nine months of this year, federal spending was \$120 billion higher than in the same period in 2010, the data show. That's an increase of almost 5%. And deficits during this time were \$23.5 billion higher.

These spending hikes haven't stopped many analysts from claiming that

the country is in an age of budget austerity, one that's hurting economic growth.

A July article in USA Today, for example, claimed that "Already in 2011, softer government spending has sapped growth."

Jared Bernstein, former chief economic adviser to Vice President Biden, wrote over the summer that "government spending cutbacks have been a large drag on growth in recent quarters and have led to sharp losses in state and local employment."

Economist and New York Times columnist Paul Krugman argued in September that "the turn toward austerity (is) a major factor in our growth slowdown."

If government spending is related to growth, as these and others claim, then the economy presumably should be growing faster, not slower, given the current higher rates of federal outlays.

State Spending Higher Too

Nor does the claim that state governments sharply cut spending stand up well to closer scrutiny

Overall state spending continued to climb right through the recession, when all money from state general funds and other funds, federal grants and state bonds is combined.

Total state outlays in 2010 were almost 10% higher than in 2008, according to the National Association of State Budget Officers' annual State Expenditure Report.

And general fund spending — which makes up about 40% of total state spending — is expected to climb 5.2% in 2011 and 2.6% next year, according to the association's latest survey.

NASBO says that states were able to sustain spending growth through 2010 only because the federal government was pumping more money

in via the \$830 billion stimulus, and that these funds are now all but exhausted.

As the survey report notes, the tapering off of the stimulus "combined with a slow recovery in state revenue collections, will continue the tight resource environment for states in fiscal 2012."

Meanwhile, the claim that state and local government jobs have been severely cut is, at the very least, open to some debate.

"We know that the biggest problem that we've had in terms of unemployment over the last several months has not been in the private sector," President Obama said at a recent press briefing. "It's actually been layoffs of teachers and cops and firefighters."

Monthly data from the Bureau of Labor Statistics do show that from December 2007 — when the recession officially started — until the end of 2010, state and local governments shed 221,000 jobs. And they've cut another 234,000 jobs so far this year.

But a separate annual survey from the Census Bureau shows that "full-time-equivalent" state and local employment climbed 200,000 between 2007 and 2010 (the latest year for which these census data are available.) The differences come from the methodologies used.

In any case, even using BLS data, the number of state and local government jobs has fallen just 2.3% since December 2007. That compares with a decline of 5.4% for private-sector jobs.