

Op-Ed Columnist

Kick That Can

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John Boehner, the speaker of the House, claims to be exasperated. “At some point, Washington has to deal with its spending problem,” he said Wednesday. “I’ve watched them kick this can down the road for 22 years since I’ve been here. I’ve had enough of it. It’s time to act.”

Actually, Mr. Boehner needs to refresh his memory. During the first decade of his time in Congress, the U.S. government was doing just fine on the fiscal front. In particular, the ratio of federal debt to G.D.P. was a third lower when Bill Clinton left office than it was when he came in. It was only when George W. Bush arrived and squandered the Clinton surplus on tax cuts and unfunded wars that the budget outlook began deteriorating again.

But that’s a secondary issue. The key point is this: While it’s true that we will eventually need some combination of revenue increases and spending cuts to rein in the growth of U.S. government debt, now is very much not the time to act. Given the state we’re in, it would be irresponsible and destructive not to kick that can down the road.

Start with a basic point: Slashing government spending destroys jobs and causes the economy to shrink.

This really isn’t a debatable proposition at this point. The contractionary effects of fiscal austerity have been demonstrated by study after study and overwhelmingly confirmed by recent experience — for example, by the severe and continuing slump in Ireland, which was for a while touted as a shining example of responsible policy, or by the way the Cameron government’s turn to austerity derailed recovery in Britain.

Even Republicans admit, albeit selectively, that spending cuts hurt employment. Thus John McCain warned earlier this week that the defense cuts scheduled to happen under the budget sequester would cause the loss of a million jobs. It’s true that Republicans often seem to believe in “weaponized Keynesianism,” a doctrine under which military spending, and only military spending, creates jobs. But that is, of course, nonsense. By talking about job losses from defense cuts, the G.O.P. has already conceded the principle of the thing.

Still, won’t spending cuts (or tax increases) cost jobs whenever they take place, so we might as well bite the bullet now? The answer is no — given the state of our economy, this is a uniquely bad time for austerity.

One way to see this is to compare today’s economic situation with the environment prevailing during an earlier round of defense cuts: the big winding down of military spending in the late 1980s and early 1990s, following the end of the cold war. Those spending cuts destroyed jobs, too, with

especially severe consequences in places like southern California that relied heavily on defense contracts. At the national level, however, the effects were softened by monetary policy: the Federal Reserve cut interest rates more or less in tandem with the spending cuts, helping to boost private spending and minimize the overall adverse effect.

Today, by contrast, we're still living in the aftermath of the worst financial crisis since the Great Depression, and the Fed, in its effort to fight the slump, has already cut interest rates as far as it can — basically to zero. So the Fed can't blunt the job-destroying effects of spending cuts, which would hit with full force.

The point, again, is that now is very much not the time to act; fiscal austerity should wait until the economy has recovered, and the Fed can once again cushion the impact.

But aren't we facing a fiscal crisis? No, not at all. The federal government can borrow more cheaply than at almost any point in history, and medium-term forecasts, like the 10-year projections released Tuesday by the Congressional Budget Office, are distinctly not alarming. Yes, there's a long-term fiscal problem, but it's not urgent that we resolve that long-term problem right now. The alleged fiscal crisis exists only in the minds of Beltway insiders.

Still, even if we should put off spending cuts for now, wouldn't it be a good thing if our politicians could simultaneously agree on a long-term fiscal plan? Indeed, it would. It would also be a good thing if we had peace on earth and universal marital fidelity. In the real world, Republican senators are saying that the situation is desperate — but not desperate enough to justify even a penny in additional taxes. Do these sound like men ready and willing to reach a grand fiscal bargain?

Realistically, we're not going to resolve our long-run fiscal issues any time soon, which is O.K. — not ideal, but nothing terrible will happen if we don't fix everything this year. Meanwhile, we face the imminent threat of severe economic damage from short-term spending cuts.

So we should avoid that damage by kicking the can down the road. It's the responsible thing to do.

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