

America's Fiscal Crisis: "Sequester Facts" on US Policy Manipulations You Should Know

By [Kevin Zeese](#) and [Margaret Flowers](#)
Global Research, March 06, 2013

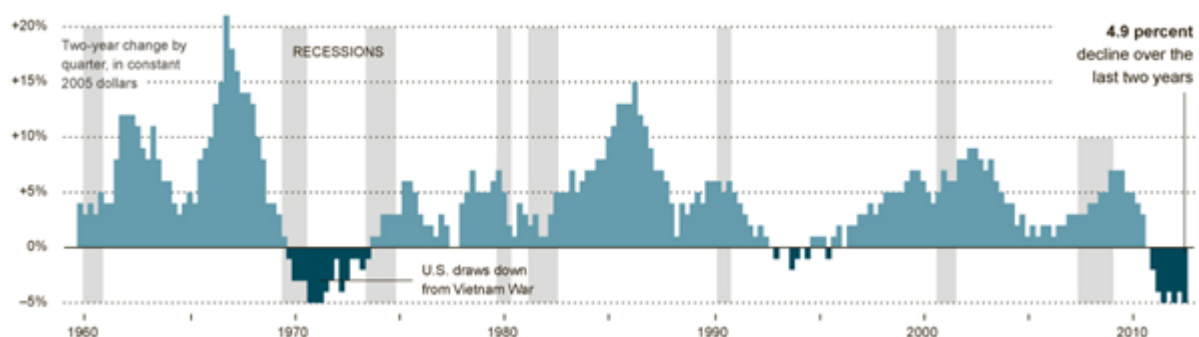
Region: [USA](#)
Theme: [Global Economy](#), [Poverty & Social Inequality](#)

Right now, the American people are like frogs in warm sequester water. For some, inundated with all the corporate media talk about out-of-control spending, the cuts to the deficit feel good right now. But as the sequester takes hold and federal spending is pulled from the economy, those views are likely to change.

US elected officials seem to be focused primarily on [making sure the other party is to blame](#), when in fact [both are to blame](#), and on measuring the political fallout. In many ways, this is part of the battle to determine which arm of the corporate duopoly will have a majority in Congress after the 2014 year elections.

But for the rest of us, a large spending cutback by government in the midst of a jobs crisis and shrinking GDP is exactly the wrong policy for the economy. The [US economy is likely to find itself in a recession, shedding more jobs](#) in 2013 with an increased deficit to GDP level in part because of the sequester, but also because the federal government was [already in austerity, shrinking at a very fast rate](#) (despite what the corporate media, pundits and politicians say). Thus the road to a double-dip recession has sped up due to the sequestration. Here are some facts you should know.

In fact, Zero Hedge published [a disconcerting list of twelve recent events](#) that show the next economic collapse may almost be upon us. And, they point out that the sequester will make things worse. Less money in the economy when big business is not spending is a sure sign of economic disaster, potentially even deflation which could lead to worse than a recession.



[Federal Government Spending Percentage Change](#)

The sequester will cut \$85 billion in government spending from March 1 to September 30. It is a 5% cut for most federal spending, but because the fiscal year began on October 1, 2012, five months have already passed and thus [the one year cut is jammed into 7 months](#). Some agencies, like those providing unemployment benefits have been unable to prepare

so there are likely to be 10% or so cuts in checks to the unemployed. Other agencies have been able to prepare somewhat by not filling vacancies and taking other budgetary actions since last October. And others, which give out grants for research, will be giving out fewer funds in grants. How the sequester will impact agencies will vary from program to program.

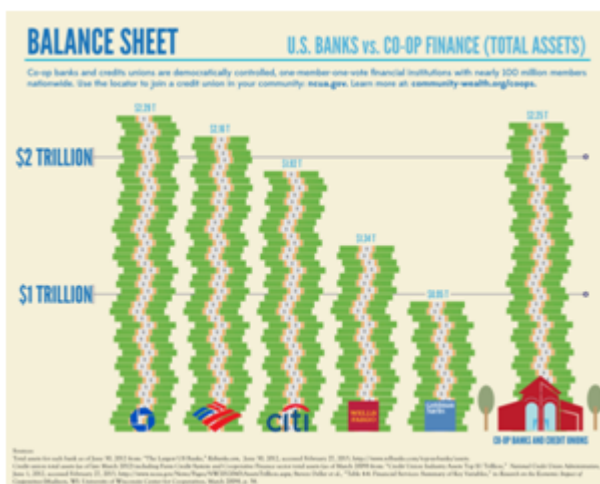
It will also vary from state to state. States like, Virginia, New Mexico, Alabama and South Carolina, with high federal spending will face more severe cutbacks, while states like, New York, Ohio, Illinois and Oregon, with less federal spending will face less. But there will be [budgetary pain](#) all [across the nation](#) in health care, housing, education, security and immigration, among others.

The sequester does not seem to bother Wall Street, as the stock market approaches record highs, but then Wall Street has always desired cuts rather than the kinds of job program spending that the economy needs. [Big business made its money in large part by increasing production and shrinking wages](#). A hungry, desperate unemployed and underemployed work force is good news for them – and that is very likely what the sequester will produce. (But [check #1 on this list of 12 recent events](#). It may be the Wall Street bubble is about to burst.)

In fact, probably the [best comment on the sequester came from Chris Hayes](#) who pointed out that if the White House and Congress really want to scare themselves, the next threat should be a trillion dollar spending program, half to create government jobs and half to pay-off peoples debts!

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There is more than the sequester happening in the US economy. Here are some key stories of the last week:



- According to the Bureau of Economic Analysis, Americans saw their [biggest drop in monthly income in 20 years](#) with personal income decreasing 3.6% and income after taxes decreasing 4%. A [new viral video](#) is making wealth inequality clear. Hopefully, more information will lead to something like what the [Swiss voted for last week, by a landslide](#), controls on executive salaries and bonuses.
- America's youth are not doing well. [Delinquency on student loans is increasing rapidly](#), now greater than it is on credit card debt. And, student debt has [tripled in a mere 8 years](#).

- To no-one's surprise the [heart of the US economy is now big finance](#). Their political power resulted in [both parties taking a pass on challenging Wall Streeter Jack Lew](#) from taking over the Treasury Department. He is needed to protect Wall Street considering that a federal judge may have handed the big banks a big loss in [a ruling that could cost them \\$250 billion](#) for mortgage security fraud. This is part of [pervasive fraud that seems to exist on Wall Street](#). With the biggest fraud in history, [the LIBOR scandal](#), waiting in the wings, their problems may not be over.
- But, the big banks should also be aware, people are moving their money from the big banks to the credit unions. Now, [credit unions have almost as much in assets as the biggest banks](#). Credit unions are a form of cooperative, and co-ops across the country are taking root and want to [show you how to do it](#). This week the [largest urban green house in the US opened](#) and it's a cooperative.
- Recent research shows that worldwide, subsidies for oil and gas far outstrip clean energy sources with [\\$620 billion in subsidies going to fossil fuels](#). And, the Obama administration seems to be doubling down on its "all of the above" energy strategy that will push us over the tipping point of climate change. His administration took [another step toward approval of the Keystone XL](#) tar sands pipeline despite the fact that [tar sands uses as much energy to be produced as it creates](#). Last week Texas got a glimpse of the future when a [massive pipeline spilled](#). And reports claim we may be [entering the worst mega-drought in 1,000 years](#) so Obama may regret pushing us over the tipping point.
- Finally, something that affects every American is healthcare. Obama bragged in the State of the Union that health care spending was down and took credit for it. But, what is becoming clear is that spending is down at the cost of Americans health: [People can't afford healthcare when they need it](#) so they don't get it. [Obamacare is making things worse as grocery workers in New England are finding out](#) that as costs spiral, insurance may be cut. TIME Magazine did a story on [health care costs which should outrage everyone](#). Despite the fact that [improved Medicare for all is the solution](#) to the health crisis, the [Progressive Caucus will not sign a letter protecting Medicare](#), Medicaid and Social Security from budget cuts while [Obama once again offers cuts](#) to these essential programs.

We can't say it enough: It's important to know the facts so we know what we are facing, but we can do something about it. We are inspired that people all across the country and across the world are taking action to protest and to build alternative systems. This week on [Clearing the FOG](#), we spoke with Thomas Gokey of [Strike Debt Rolling Jubilee](#). [Learn how debt affects your community](#) and what you can do to resist it. There will be a week of [national solidarity actions](#) to bring awareness to medical debt and the solution of a national single payer health program March 16 to 23.

This article is from a weekly newsletter published by [It's Our Economy](#). To sign up for the newsletter, [click here](#).

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