



White House: GOP responsible for contracting economy

By Justin Sink - 01/30/13 01:11 PM ET

White House press secretary Jay Carney laid the blame for a surprise economic contraction squarely at the feet of congressional Republicans Wednesday, saying economic threats during the "fiscal cliff" negotiations had prevented important defense spending.

"Our economy is facing a major headwinds, and that's Republicans in Congress," Carney said.

The Commerce Department projected Wednesday that the nation's gross domestic product (GDP) shrank by 0.1 percent in the fourth quarter of 2012.

Carney said that was partially attributable to the threat of sequestration, which would implement across-the-board spending cuts if a long-term deficit deal is not reached.

"This is political brinkmanship that results in one primary victim. That's American taxpayers and the American middle class," Carney said, acknowledging the GDP projection was bad news.

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"I don't think anytime you see a reduction in economic growth that it's good news," he said.

Carney said economic observers were "rightly appalled" by the threat of sequestration or default to drive a debt deal, and charged that Republicans were harming the economy to the benefit of the wealthiest Americans.

"It can't be we'll let sequester kick in because we insist tax loopholes remain in place for corporate jet-owners," Carney said.

Brendan Buck, a spokesman for Speaker John Boehner (R-Ohio), pointed the finger of blame for the still-looming sequester back at the White House.

"These arbitrary, automatic cuts were a creation and demand of the White House in 2011," said Buck. "Twice the House has passed legislation to replace them with common sense cuts and reforms. If there was any uncertainty late last year about the sequester, it was because the Democratic-controlled Senate, per usual, never lifted a finger to pass a plan to replace it."

Republicans have argued that dire threats are necessary to force Democrats to agree to entitlement reforms and spending cuts. The Republican National Committee on Wednesday circulated a document labeling

Obama "President -0.1%" and argued the GDP numbers were evidence the president's stimulus plan had not worked.

The unexpected dip was the first time the economy shrank since the 2009 economic depression, and came as a surprise to economists, who had projected modest growth.

In a statement posted Wednesday morning, Alan Krueger, chairman of the White House's Council of Economic Advisers, said that reduced government spending from the sequester and economic uncertainty stemming from the fiscal-cliff negotiations was likely to blame. Krueger also said Hurricane Sandy likely disrupted significant economic activity.

"Although GDP is the broadest measure of economic activity, other indicators of economic performance suggest that the economy continued to recover in the fourth quarter, despite the impact of Hurricane Sandy and uncertainty surrounding fiscal issues," Krueger said.

Krueger and other economic advisers pointed to a boost in personal income, disposable income and worker-hours to argue that the economy was likely outperforming the initial estimate and would be revised upward.

"Moreover, as the administration stresses with each economic report, indicators of economic performance can be volatile and are subject to substantial revision," Krueger said. "The average absolute revision from the 'advance' estimate of real GDP growth to the most current data is 1.3 percentage points."

The decline also drew new questions about the decision to delay, rather than eliminate, sequestration in the fiscal cliff deal struck earlier this month. But despite that delay, defense spending was cut to its lowest level in 40 years — evidence that uncertainty over an eventual deal was preventing spending on new projects.

With the sequester delayed just two months, that drag threatens to bleed into a second consecutive fiscal quarter.

Carney said Republicans who were willing to proceed with the sequester were doing so "for apparently nakedly political reasons," noting the program had been designed to be so onerous that it would compel Congress to act.

The White House has maintained that it wants to avoid the sequester. But when asked Monday on whether the president was planning specific meetings or events to address the topic, Carney said he did not have "any specifics" to provide.

"We believe that the right course of action is to take steps to make sure that sequester doesn't happen because it's bad for the economy and bad overall for the effort to reduce our deficits in a reasonable way," Carney said Monday.

- Updated at 2:15 p.m.

Source:

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