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Obama formally orders "deeply destructive" cuts, blames Congress

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By [Richard Cowan](#) and [Alistair Bell](#)

WASHINGTON (Reuters) - President Barack Obama formally ordered broad cuts in government spending on Friday night after he and congressional Republicans failed to reach a deal to avert automatic reductions that could dampen economic growth and curb military readiness.

As the United States staggered into another fiscal crisis, the White House predicted that the spending cuts triggered by the inability of Obama and lawmakers to forge a broader deficit-reduction agreement would be "deeply destructive" to the nation's economic and national security.

"Not everyone will feel the pain of these cuts right away. The pain though will be real. Beginning this week, many middle-class families will have their lives disrupted in significant ways," Obama told journalists after his meeting with Republican and Democratic congressional leaders.

Late on Friday, Obama signed an order that put in effect the across-the-board government spending cuts known as "sequestration." Government agencies will now begin to hack a total of \$85 billion from their budgets between Saturday and October 1.

Half of the cuts will fall on the Pentagon. Defense Secretary Chuck Hagel said the reductions put at risk "all of our missions."

Congress and Obama could still halt the cuts in the weeks to come, but neither side has expressed any confidence they will do so. Both Democrats and Republicans set the automatic cuts in motion during feverish deficit-reduction efforts in August 2011.

MARKETS SHRUG OFF CRISIS

Friday's events marked the first budget showdown in Washington of many in the past decade that was not somehow resolved at the last minute - often under pressure from rattled financial markets. Markets in New York shrugged off the stalemate in Washington on Friday as they have for months.

Democrats predicted the cuts could soon cause air-traffic delays, meat shortages as food safety inspections slow down, losses to thousands of federal contractors and damage to local economies across the country, particularly in the hardest-hit regions around military installations.

At the heart of Washington's persistent fiscal crises is disagreement over how to slash the budget deficit and the \$16 trillion national debt, bloated over the years by wars in Iraq and Afghanistan and government stimulus for the ailing economy.

Obama wants to close the fiscal gap with spending cuts and tax hikes. Republicans do not want to concede again on taxes after doing so in negotiations over the "fiscal cliff" at the New Year.

Public outrage, if it materializes, would be the most likely prod for a resolution as the impact of the spending cuts starts to be felt in the coming weeks and months.

As a percentage of total government spending every year, \$3.7 trillion, the actual spending reductions are small. But because safety-net programs such as Social Security and Medicare will be untouched, the brunt falls mostly on federal government employees rather than direct recipients of aid.

The U.S. government is the nation's largest employer, with a workforce of roughly 2.7 million civilians spread across the country. If the cuts stay in place, more than 800,000 of those workers could see reduced work days and smaller paychecks between now and September.

Furlough notices warning employees and their unions started to go out earlier this week and the pace picked up on Friday after it became clear that talks at the White House between Obama and congressional leaders would be fruitless.

While the International Monetary Fund warned that the belt-tightening could slow U.S. economic growth by at least 0.5 of a percentage point this year, that is not a huge drag on an economy that is picking up steam.

'THE SPENDING PROBLEM'

Many Republicans accuse the Obama administration of overstating the effects of the cuts in order to pressure them into agreeing to a solution to the White House's liking.

A deal proved elusive as Obama met at the White House with House of Representatives Speaker John Boehner, the top Republican in Congress, and Senate Republican leader Mitch McConnell, as well as the top two Democrats in Congress, Senate Majority



Leader Harry Reid and House Democratic leader Nancy Pelosi.

"The discussion about revenue, in my view, is over. It's about taking on the spending problem," Boehner said after the meeting.

Asked why he did not just refuse to let congressional leaders leave the room until they had a deal, Obama told reporters: "I am not a dictator. I'm the president. So, ultimately, if Mitch McConnell or John Boehner say, 'We need to go to catch a plane,' I can't have Secret Service block the doorway, right?"

The across-the-board cutbacks were mandated by a deficit reduction law, structured to be so disruptive that Congress would ultimately replace them with more targeted savings. But partisan gridlock has prevented agreement on where to save.

The White House budget office sent a report to Congress detailing the spending cuts. Some 115,000 employees of the Department of Justice - including prosecutors and the FBI - were among the first to get the official word of furloughs.

The government also sent letters to several state governors advising them of cuts to services like the Head Start education program in California and military facilities in Virginia.

Canadian Finance Minister Jim Flaherty expressed rare public frustration with the United States for lurching from crisis to crisis.

One reason for the inaction in Washington is that both parties still hope the other will either be blamed by voters for the cuts or cave in before the worst effects predicted by Democrats come into effect.

A Reuters/Ipsos poll released on Friday showed 28 percent of Americans blamed congressional Republicans for the sequestration mess, 18 percent thought Obama was responsible and 4 percent blamed congressional Democrats. Thirty-seven percent blamed them all, according to the online poll.

The non-partisan Congressional Budget Office predicts 750,000 jobs could be lost in 2013, and federal employees throughout the country are looking to trim their own costs.

"The kids won't go to the dentist, the kids might not go to the doctor, we won't be spending money in local restaurants, local movie theaters," said Paul O'Connor, president of the Metal Trades Council, which represents 2,500 workers at the Portsmouth Naval Shipyard in Kittery, Maine.

After weeks of White House warnings about the cuts causing disruption, Obama acknowledged it might be a while before effects fully kicked in. "We will get through this. This is not going to be an apocalypse," Obama said.

In the absence of any deal at all, the Pentagon will be forced to slice 13 percent of its budget between now and September 30.

In his first Pentagon news conference since he was sworn in on Wednesday, Hagel struck a more moderate tone than many other defense officials who have said the spending reductions would be devastating or could turn the U.S. military into a second-rate power.

"America ... has the best fighting force, the most capable fighting force, the most powerful fighting force in the world," he said. "The management of this institution, starting with the Joint Chiefs, are not going to allow this capacity to erode."

Most non-defense programs, from NASA space exploration to federally backed education and law enforcement, face a 9 percent reduction.

Moving to head off a new budget crisis later this month, Boehner said the Republican-led House would move a "continuing resolution" to fund government through the rest of the fiscal year, thus hopefully averting a government shutdown.

(Additional reporting by Steve Holland, Roberta Rampton, Deborah Zabarenko and Jeff Mason in Washington and David Ljunggren in Ottawa; Editing by Peter Cooney and Will Dunham)

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