Are we shooting ourselves in the foot?

A rule, we don't admire people who can't take yes for an answer. Yet Americans, and in particular North Carolinians, are exhibiting that unfortunate trait, indirectly through the actions of their elected officials. How? The economy is gradually getting stronger; it's saying yes! But it appears that in 2013 we're dead-set on nudging the economy closer to recession. Why can't we take yes for an answer?

On the federal level, December's fiscal-cliff deal didn't stop the huge budget cuts known collectively as sequestration; it merely delayed them. The cuts to discretionary programs, from food stamps to defense spending, will average more than 8 percent and are scheduled to start on March 1. There's still time to stop these self-destructive cuts, but it's not looking good.

Why would the cuts be so damaging? If there's one thing recent economic history has shown, it's that government austerity, while perfectly reasonable in normal times, is a bad idea in a depressed economy. We've seen the negative impact of austerity throughout Europe, and we got a taste of it ourselves in the U.S. in the fourth quarter of last year. The economy shrunk slightly, by 0.1 percent, at an annual rate, due to one-time cuts in government spending.

The consensus forecast is that sequestration will shrink GDP by 0.1 percent by 2013. Given that growth is expected to be under 2 percent without the spending cuts, it appears that sequestration will cut 2013 growth roughly in half. That won't throw us into recession, but it will push us toward the economic growth that could lead to recession. One would think that'd be a bad thing.

To make matters worse, sequestration will probably hit North Carolina harder than other states because it includes cuts in defense spending, and we have a big military presence. A study by the National Association of Manufacturers estimates that defense cuts alone will reduce employment in North Carolina by nearly 26,000 in 2013, and more in ensuing years. Most of these job losses will occur in eastern North Carolina, home to the largest military bases. But it gets even worse for North Carolina. Gov. Pat McCrory recently signed into law a dramatic cut in unemployment benefits. The purpose of the cut is to accelerate the state's repayment of its debt to the federal government for funds it provided to shore up our unemployment-insurance trust fund. Instead of repaying the $4.7 billion it borrowed from the state during the recession, we're paying it back out of the unemployment trust fund.

The catch is that in order to cut our benefits, North Carolina must forgo $780 million in federal funding for extended unemployment benefits. Whether the trust fund was underfunded because of a series of employer tax cuts or the excessive generosity of unemployment benefits, the rejection of this free money will have immediate and negative effects.

You see, unemployment benefits have one of the biggest bangs for the buck of all fiscal policies. People who receive these benefits tend to spend the money quickly, and that behavior generates big spending multipliers. As a result, the effect will be to shrink the state economy by well over $1 billion in 2013, thereby cutting growth by another few tenths of a percent. In other words, instead of mitigating the effects of federal sequestration on the state economy, we've chosen to aggravate it.

It's great that the American economy is so resilient. But do we have to keep shooting it in the foot?