A sturdier US economy can withstand budget cuts

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WASHINGTON — As economic policy goes, experts say, the automatic spending cuts that kick in Today are — to use a technical term — boneheaded.

Fortunately, the self-inflicted wound isn't going to leave a deep scar on an economy that is otherwise looking pretty good. It's a fiscal speed-bump on the road to economic recovery, which is why the stock market is nearing an all-time high despite Washington's latest display of legislative paralysis.

That's a marked change from the past two years, when budget battles rattled consumer and business confidence and triggered big selloffs.

"Businesses and consumers have begun to look away from the histrionics and the battles going on in Washington," says Bernard Baumohl, chief global economist at the Economic Outlook Group. "They're beginning to realize that organic growth in the private economy is beginning to pick up speed."

From Wall Street to Main Street, Americans are too busy spending, hiring and investing to panic over Washington's latest budgetary melodrama.

They've seen this movie before. And this time, the ending doesn't scare them.

The Dow Jones industrial average has jumped nearly 8 percent this year and is approaching a record high.

Consumers are also growing more confident. And last month, orders for U.S. factory goods that reflect companies' investment plans surged by the most in more than a year. It showed that more businesses have become more upbeat about their prospects.

Only 27 percent of Americans surveyed for a Pew Research Center/USA Today poll last week said they had heard a lot about the looming spending cuts. And according to a Washington Post poll conducted late last month, less than a third of Americans said they thought the cuts would have a big impact on their own finances.



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House Speaker John Boehner, R-Ohio, pauses Thursday while meeting with reporters during a news conference on Capitol Hill in Washington to answer questions about the impending automatic spending cuts that take effect today.