

“We will go through our federal budget—page by page, line by line—eliminating those programs we don’t need.”

— PRESIDENT-ELECT BARACK OBAMA, NOVEMBER 2008

With all due respect Mr. President, we’re still waiting.

It’s been nearly two years since you made that pledge, Mr. President. Since then, you’ve signed into law an \$800 billion “stimulus” package and a massive new health care entitlement—adding trillions of dollars in unfunded liabilities to our grandchildren’s tab.

Our looming debt crisis threatens to destroy the American dream for future generations. Yet your administration continues piling up deficits of over a trillion dollars a year. By 2012 our national debt will be larger than the entire U.S. economy. Isn’t it past time you identified the programs you’d cut?

In all fairness, both parties got us into this mess. “Deficits don’t matter,” Vice President Dick Cheney scoffed as the Bush administration and a Republican Congress led one of the biggest spending sprees in American history, nearly doubling federal outlays over eight years. Our bipartisan flight from responsibility is a national disgrace—and it’s fast becoming a national disaster. Vague promises to eliminate “waste, fraud, and abuse” won’t cut it any more. Both parties need to step up with specific and substantial cuts.

As a start, they can consult **DownsizingGovernment.org**, where the Cato Institute has begun posting the results of our page by page, line by line review of the federal budget. With the Constitution as our guide, we’ve identified scores of agencies to eliminate and programs to zero out, putting America on the path toward fiscal sanity:

Education Subsidies

Education is a state, local, and private matter—and that’s where the Constitution left it. Federal K-12 education programs have cost American taxpayers \$1.85 trillion since 1965 without noticeably improving outcomes. Eliminating them will save **\$40 billion annually**.

Farm Subsidies

Far from “saving the family farm,” federal agricultural subsidies are environmentally destructive corporate welfare, with more than 70 percent of aid going to the largest 10 percent of agribusinesses. Zeroing out farm welfare will save **\$25 billion annually**.

Military Overreach

The Constitution envisions a U.S. military that “provide[s] for the common defence” of the United States, not one that serves as the world’s policeman and nation-builder. By withdrawing our troops from Iraq and Afghanistan, we could save at least **\$125 billion** next year. Eliminating other unnecessary overseas missions would allow for a leaner force structure and defense budget, saving at least **\$100 billion a year** without undermining U.S. security.

Transportation Programs

The federal government has no business funding the state and local projects that make up the bulk of federal transportation spending. Federal involvement results in pork-barrel spending, excess bureaucracy, and costly one-size-fits-all regulations. Moving funding for activities such as highways to the states and air traffic control to the private sector would spur greater innovation while also saving **\$85 billion a year**.

Housing Subsidies

Federal interference in housing markets has done enormous damage to our cities and the economy at large. HUD subsidies have concentrated poverty and fed urban blight, while Fannie Mae and Freddie Mac stoked the financial crisis by putting millions of people into homes they couldn’t afford. Getting the government out of the housing business will save **\$45 billion annually**.

Federal Worker Pay

Federal workers enjoy far greater job security than their private-sector counterparts—and far better total compensation: an average of \$120,000 a year in wages and benefits. Cut federal compensation by 10 percent to save **\$20 billion annually**.

Energy Subsidies

The 30-year legacy of federal energy subsidies is replete with corporate cronyism and failed “investments.” Entrepreneurs with their own capital have incentives to develop viable alternative energy sources. Ending federal energy subsidies would save **\$20 billion a year**.

Government-run Health Care

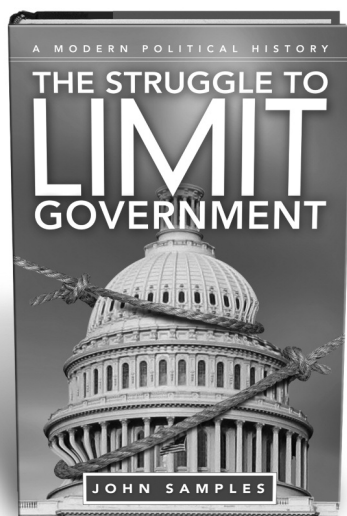
Medicare and Medicaid are driving the explosion in federal debt. The 2010 health care law should never have been passed. The same level of Medicare cost savings could have been realized by moving to a consumer-driven health plan through vouchers, which would protect the elderly from government rationing. Medicaid should be converted to a fixed block grant to save money and encourage state innovation. Total savings would be more than **\$1 trillion** over the next decade.

Drug War

Since the start of the federal War on Drugs in 1970, we’ve spent hundreds of billions on a futile crusade that’s done little to curb drug use and much to impair our civil liberties. In fact, a Cato study showed that Portugal’s decriminalization of drugs actually lowered drug-related problems. Returning drug policy to the states—where it belongs—would save at least **\$15 billion annually**.

Social Security

As the Baby Boom generation retires, our largest entitlement program lurches toward crisis. Social Security should be phased out as a mandatory program and an alternative voluntary system of private accounts, providing for ownership and inheritability, should be offered. Current obligations can be reduced by tying annual benefit growth to price inflation rather than wage growth, saving **\$50 billion annually** by 2020.



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