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It's Time To Curb Uncle Sam's Wasteful Spending Habits

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The budget wars have begun. Republicans want modest curbs on Uncle Sam's voracious financial appetite. Democrats hope to preserve massive spending increases of recent years.

Virtually no one wants to talk about the burgeoning programs that threaten America's financial future. Social Security, Medicare and Medicaid are the big domestic boulders. Their costs are increasing rapidly, driven by the demography of an aging population and the dynamic of rapidly rising health care expenditures.



Image via Wikipedia

ObamaCare will only exacerbate the problem. The Congressional Budget Office concluded that last year's "reform" legislation actually bent the cost curve upward, increasing future medical expenditures. Moreover, many of the highly publicized Medicare cuts are unlikely to be realized.

Richard S. Foster, the chief actuary of Centers for Medicare and Medicaid Services, [explained](#):

The financial projections shown in this [trustees'] report for Medicare

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do not represent a reasonable expectation for actual program operations in either the short range (as a result of the unsustainable reductions in physician payment rates) or the long range (because of the strong likelihood that the statutory reductions in price updates for most categories of Medicare provider services will not be viable).

The military is another big boulder, with outlays double those of a decade ago. Real, inflation-adjusted spending is greater today than at any point during the Cold, Korean or Vietnam Wars despite the disappearance of the Soviet Union, Maoist China and Warsaw Pact.

Moreover, today's wars also create large unfunded liabilities in the future. For instance, Iraq so far has cost more than [\\$750 billion](#), but the Treasury Department warns that total costs are likely to end up at \$2 billion once long-term veterans' care is counted. Some private analysts predict the total price tag will be [even higher](#). The Obama administration's escalation in Afghanistan is creating the same sort of unfunded obligations in that conflict.

Finally, [according to the Congressional Budget Office](#), federal interest payments, driven by continued borrowing, are likely to more than quadruple over the coming decade, to \$931 billion in 2021. That is more than Medicare, Medicaid or the Pentagon budget today. If spending ends up higher than current estimates — almost always the case — then deficits, debt and interest all will be even higher than currently projected by the CBO.

These five spending categories alone will account for 68% of the federal budget next year and their share will steadily increase. The CBO [warned two years ago](#) that without changes, Medicare and Medicaid will grow from 5% of the GDP today to 17% in 2080, which means “the federal government would be spending almost as much, as a share of the economy, on just its two major health care programs as it has spent on all of its programs and services in recent years.” (Last year's ObamaCare exacerbated this problem, mixing expanded Medicaid benefits with unrealistic Medicare cuts.)

Yet politicians prefer to focus on domestic discretionary spending, to which people are not legally “entitled” (hence the concept of “entitlements”). For instance, the president's big budget initiative is a five year freeze on outlays bloated after a decade of sharp increases. Even if Congress complied, which is highly unlikely, this would not solve the long-term budget crisis.

Instead of talking about freezing outlays, legislators need to eliminate programs. Drop. End. Terminate. Kill.

A new [Government Accountability Office Report](#) offers a blueprint for beginning to address so-called discretionary outlays, both domestic and military. The 345-page study, entitled “Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue,” is not exactly a page turner. But it will reduce any taxpayer to tears.

The agency detailed “34 areas where agencies, offices or initiatives have similar or overlapping objectives or provide similar services to the same population; or where government missions are fragmented across multiple agencies or programs.” The GAO also offered 47 other potential budget savings. Although much more needs to be done to restore Washington's fiscal health, the agency explained: “considering the

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ABOUT ME

Doug Bandow is a Senior Fellow at the Cato Institute. A former Special Assistant to President Ronald Reagan, he also is a Senior Fellow in International Religious Persecution with the Institute on Religion and Public Policy. He is the author and editor of numerous books, including *Foreign Follies: America's New Global Empire*, *The Politics of Plunder: Misgovernment in Washington*, and *Beyond Good Intentions: A Biblical View of Politics*. He is a graduate of Florida State University and Stanford Law School.

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amount of program dollars involved in the issues we have identified, even limited adjustments could result in significant savings.”

Consider a sampling of the wasteful duplication identified by the GAO:

- 1) “The fragmented federal oversight of food safety has caused inconsistent oversight, ineffective coordination, and inefficient use of resources. Fifteen federal agencies collectively administer at least 30 food related laws.”
- 2) The Pentagon’s Medical Health System “costs have more than doubled from \$19 billion in fiscal year 2001 to \$49 billion in 2010 and are expected to increase to over \$62 billion by 2015. Studies by GAO and others over many years have identified opportunities to gain efficiencies and save costs by consolidating administrative, management, and clinical functions.”
- 3) The military has established urgent needs processes to rapidly develop, modify, and field new capabilities.” Unfortunately, “at least 31 entities play a role in DOD’s urgent needs processes.” Many different Pentagon entities work on countering improvised explosive devices, and inter-service rivalry has slowed deployment of some technologies.
- 4) Other DOD programs suffering from duplication included intelligence, surveillance, and reconnaissance systems, procurement of tactical wheeled vehicles, programs to preposition supplies and equipment, and business systems.
- 5) “Preliminary results of GAO’s ongoing work involving 80 economic development programs at four agencies-Commerce, HUD, SBA, and USDA-indicate that the design of each of these fragmented programs appears to overlap with that of at least one other program in terms of the economic development activities that they are authorized to fund.” Fifty-two programs fund “entrepreneurial efforts,” 39 support “plans and strategies,” 35 underwrite “infrastructure,” and so on.
- 6) Federal transportation funding has increased in recent years, without corresponding benefits. Yet five Department of Transportation “agencies with 6,000 employees administer over 100 separate programs with separate funding streams for highways, transit, rail, and safety functions.”
- 7) Federal vehicles are subject to “multiple and sometimes conflicting statutes and a lack of performance measures.”
- 8) The GAO does not opine on the wisdom of subsidizing ethanol. However, the agency found that “The ethanol tax credit and the renewable fuel standard can be duplicative in stimulating domestic production and use of ethanol, and can result in substantial loss of revenue to the Treasury.”
- 9) The lack of enterprise architecture to guide information technology modernization has resulted in “organizational operations and supporting technology infrastructures and systems that are duplicative, poorly integrated, unnecessarily costly to maintain and interface, and unable to respond quickly to shifting environmental factors.” Federal data centers also need to be consolidated. Poor contracting practices result in “increased procurement costs, redundant buying capacity, and an increased workload for the acquisition workforce.”
- 10) There is little coordination of “tax expenditures”-narrowly focused tax

breaks-with spending programs. "In the case of higher education, the federal government offers seven tax expenditures and nine spending programs."

11) The Department of Health and Human Services has attempted to improve its public health information systems, but "the department's initiatives have been undertaken without the strategic planning needed to coordinate and integrate the priorities, goals, and objectives of various related initiatives."

12) "There are more than two dozen presidentially appointed individuals with some responsibility for biodefense. In addition, numerous federal agencies, encompassing much of the federal government, have some mission responsibilities for supporting biodefense activities."

13) The FBI and Bureau of Alcohol, Tobacco, Firearms and Explosives have "duplication and overlap in the areas of explosive investigations jurisdiction, training, information sharing and use of databases, and laboratory forensic analysis." The Transportation Safety Administration and Department of Homeland Security do not share security assessments of the commercial trucking industry. Similar problems afflict three information-sharing mechanisms for public transit funded by DHS.

14) The Federal Emergency Management Agency "does not compare and coordinate grant applications across its [17 different] preparedness programs to identify potential duplication. In addition, FEMA has not established measurable goals or performance measures for preparedness capabilities to identify gaps to assist in effectively prioritizing national investments through preparedness grand programs."

15) Even if development aid for Afghanistan has been used effectively, which is unlikely, it still has not been provided efficiently. The Department of Defense and U.S. Agency for International Development "have implemented development projects focusing on similar initiatives, such as improving Afghanistan's road, water, and other infrastructure sectors."

16) "Domestic food and nutrition assistance is provided through a decentralized system of primarily 18 different federal programs that shows signs of overlap and inefficient use of resources." Many federal agencies, state programs, and private groups offer initiatives with "comparable benefits to similar or overlapping populations." More than 20 programs offer duplicative services for the homeless.

17) A decade ago the GAO pointed out that eight departments ran 62 programs providing transportation services to the disadvantaged. Today's "fragmented services" remain difficult for beneficiaries to access and "costly because of inconsistent, duplicative, and often restrictive program rules and regulations."

18) In 2009 the Departments of Education, Health and Human Services, and Labor administered 47 employment and training programs. Ten federal agencies run 82 programs to promote teacher quality. More than twenty agencies offer 56 programs to promote financial literacy.

There are good arguments against many of these programs in principle.

Teacher quality should be a local concern. The U.S. shouldn't be engaged in nation-building in Afghanistan-or anywhere else, for that matter. Development "assistance" has a woeful record worldwide. Why is Uncle Sam teaching financial literacy? Transportation for the needy should be

left to states and especially private social service agencies. Ethanol is an extraordinarily inefficient and wasteful fuel. Taxes should not be used for social engineering.

But if politicians are going to tax Americans, policymakers have an obligation to use the money responsibly. Eighty-two federal programs on teacher quality?

The 112th Congress should devote this year to cutting outlays across the board. It could start by terminating duplicative and wasteful programs.

How about a legislative pledge not to add any new programs without eliminating at least two in exchange?

Getting federal spending under control won't be easy. But the longer Americans wait to make difficult trade-offs, the more wrenching and painful the process will be. We must begin putting America's fiscal house in order.

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