



Let's Get Radical With the Budget

The case for cutting entire government programs to lower the budget deficit.

By: Gene Epstein – March 30, 2013

The federal budget crisis is about many things -- including the freedom of ordinary people to spend their dollars as they see fit.

That doesn't mean the people should give no money to the government. Apart from government's role in protecting us from force and fraud, it might distribute dollars to those who can't earn enough to take care of themselves. But the pursuit of freedom demands that we place the burden of proof on those who would allocate more dollars to government and fewer to the people.

That burden is made all the heavier when consider that government is often corrupt; there aren't enough hours in the day for us to prevent Washington's 12,390 registered lobbyists from getting government handouts for their clients. And even when government is well-intentioned, it is often bureaucratically wasteful and inefficient, and targets funds for the wrong recipients.

For example, the pay-as-you-go program called Social Security was motivated by good intentions. But it now transfers income from wage earners of modest means to rich retirees. As the late free-market economist Milton Friedman once proposed, Social Security would work better if it were converted to a negative income tax. Those of eligible age would file tax returns and receive dollars from the Treasury to the extent that their incomes fall below a certain threshold. The system would also cost less than the current scheme.

SPEAKING OF COSTS, the economics of the federal budget should turn all of us into deficit-cutting radicals. The aging of the population, which could bust the federal budget by the mid-2020s, surely mandates a dramatic reduction in the federal debt burden, starting right now (see "The Deficit Deniers Should Do the Math," *Economic Beat*, March 18).

The Democrat-controlled Senate and the Republican-run House have passed very different budget plans for the 2014 fiscal year and the decade that follows. Neither goes far enough in cutting the nation's debt, but radicals might be grateful for any movement in the right direction, and each plan offers some of that.

Also, we should be cheering the fact that Congress left nearly all the sequester budget cuts in place, despite doom-and-gloom predictions from the White House that they would wreak havoc on the economy. Of course, these "cuts" don't actually cut anything; they trim about \$1 trillion from projected increases in spending over the decade. But they're a start.

We budget radicals must favor the House budget plan, crafted mainly by Republican House Budget Director and Wisconsin Representative Paul Ryan. On paper, at least,

Ryan's plan would reduce the debt in 10 years to 55% of nominal gross domestic product from a current 76%. The Senate plan claims to pare it to 70%. But as mentioned, neither goes far enough. In 1999, when President Bill Clinton called for the need to pay down the debt and run surpluses in order to save for the aging of America, the debt-to-GDP ratio stood at 39.4%.

Then again, neither plan can be taken at face value, as Michael Lewis, chief economist at consultancy Free Market, points out. For example, both budgets make the absurd assumption that physicians will accept automatic cuts in the fees paid them by Medicare, even though Congress has consistently rescinded these cuts for the past 10 years, a move famously dubbed the "doc fix."

HERE IS ANOTHER PROBLEM with both plans: They cut parts of the federal budget, but fail to eliminate entire programs that may be worthy of such. One advantage to cutting whole programs: It greatly diminishes the chance they will rise, Phoenix-like, from the ashes, whereas simply trimming programs greatly increases the likelihood they will revert to their former, bloated selves. Also, cutting out whole programs saves more money.

Cato Institute fellow Chris Edwards, editor of DownsizingGovernment.org, notes that even the Ryan plan would cut out almost nothing. Edwards proposes instead that Ryan don Arnold Schwarzenegger garb and become the budget terminator. "Good prospects for termination, with rough annual savings, include farm subsidies [\$22 billion], energy subsidies [\$17 billion], public housing [\$7 billion], community development [\$14 billion], and federal K-12 education subsidies [\$56 billion]," he says.

That totals \$116 billion in a year, and well above \$1 trillion over 10 years. Also, none of it includes reductions in elderly entitlement programs.

And what about areas where the federal government's role is better assumed by the private sector? Here Edwards would include privatizing the Postal Service, air-traffic control, and Amtrak, for which there is precedent among other nations.

Hence our radical message for dealing with the federal budget: When in doubt, cut it out. Let's give more power to the people.