

What Congress Should Cut

Let's scrap the Departments of Commerce and Housing and Urban Development, end farm subsidies, and end urban mass transit grants, for starters.

By [DICK ARMEY AND MATT KIBBE](#)

The primary economic challenge today is that our government spends too much money it doesn't have, and it is involved in too many things it cannot do well and shouldn't do at all. This burden is manifested by a \$1.3 trillion annual deficit and a \$14 trillion national debt. The more pernicious effects of this fiscal drag are unseen: a debased dollar, massive (and hidden) unfunded liabilities, and a crushing burden on would-be job creators.

Milton Friedman correctly argued in 1999 that the "real cost of government—the total tax burden—equals what government spends plus the cost to the public of complying with government mandates and regulations and of calculating, paying, and taking measures to avoid taxes." He added, "Anything that reduces that real cost—lower government spending, elimination of costly regulations on individuals or businesses, simplification of explicit taxes—is a tax reform."

Since 2007, Congress has been on an unprecedented spending binge. That means a first and obvious budget-cutting step would be to return discretionary spending to the baseline before things got so out of control. If Congress returned to the baseline before the supposedly "temporary" stimulus bill of 2009, \$177 billion per year would be saved, according to calculations by FreedomWorks based on figures from the Office of Management and Budget and the Congressional Budget Office (CBO). If spending went back to the 2007 baseline, the beginning of the first Pelosi Congress, \$374 billion would be saved. Over 10 years, that is \$748 billion and \$1.56 trillion in savings, respectively.

Repealing ObamaCare is another obvious source of reduced spending. The absurd claim that this government takeover of health care produces budget savings is based on budget gimmickry—such as assumed Medicare cuts that, according to estimates by the Centers for Medicare and Medicaid Services, would put 15% of our hospitals out of business, and thus will never happen. The claim also ignores the historically explosive growth in other similar programs. Medicare grew nine-fold larger than was projected during its first 25 years. In its first 10 years alone, the program experienced a 700% cost overrun.

But let's for the moment accept CBO's numbers on ObamaCare spending. They still mean that repealing the health-insurance exchanges and the premium subsidies, including the expansion of Medicaid, saves \$898 billion over 10 years. Repealing the individual mandate alone—and thus reducing rather than eliminating these premium subsidies and Medicaid outlays—would cut \$252 billion.

Still more savings can be realized by eliminating taxpayer-funded bailouts. We need to cut the cord between taxpayer wallets and Fannie Mae and Freddie Mac. As Alabama Rep. Spencer Bachus, the new chairman of the House Financial Services Committee, said last March of Fannie and Freddie, "Taxpayers have already contributed more than \$127 billion to the bailout and they are on the hook for hundreds of billions more." The CBO estimates that the cost to taxpayers could rise to \$389 billion. Others estimate it will take around \$1 trillion. Fannie and Freddie need to be broken up and returned to the private sector now.

There's more, much more. Eliminating subsidies to ethanol and for unproven energy technology produces \$170 billion in savings over 10 years, according to the Cato Institute's recent "A Plan to Cut Spending and Balance the Federal Budget." Scaling back the number of government employees to fiscal year 2008 will save \$35 billion, according to calculations from the office of Wyoming's Rep. Cynthia Lummis.

Other 10-year Cato spending cut estimates: Scrapping the departments of Commerce and Housing and Urban Development saves \$550 billion; ending farm subsidies would produce nearly \$290 billion. Cutting NASA spending by 50% would save \$90 billion. Repealing Davis-Bacon labor rules produces \$60 billion. Ending urban mass transit grants would save \$52 billion. Privatizing air traffic control, as other nations have done, saves \$38 billion. Privatize Amtrak and end rail subsidies and save \$31 billion. Reform federal worker retirement, \$18 billion. Retire Americorps, \$10 billion. Shutter the Small Business Administration, \$14 billion.

Defense spending should not be exempt from scrutiny. With such dramatic increases in appropriations, it is not plausible that all resources are being spent prudently. Defense Secretary Robert Gates has proposed savings of \$145 billion over five years. That's a start.

Entitlements—56% of the annual budget and growing—are the most difficult but also the most important programs to reform, because the total unfunded liability tops \$100 trillion for Social Security and Medicare alone. The federal government does not put these liabilities on the books, but serious budgeting requires that we deal with this ominous long-term burden now.

The most complete work on entitlement reform comes from Wisconsin Rep. Paul Ryan, the new chairman of the House Budget Committee. Mr. Ryan's "Roadmap for America's Future" combines a gradual slowing of Social Security benefit growth with optional personal accounts that seniors would own and control. As for the Big Three health-care programs—Medicare, Medicaid and tax subsidies for employer-sponsored health benefits—he converts them into capped contributions to individuals (part of Medicaid would be block-granted to states).

This is a powerful, patient-driven approach, allowing individuals to take control of their own dollars. In total, the Ryan approach would powerfully realign incentives and would, according to the CBO's analysis of the Roadmap last January, reduce government spending by \$370 billion a year in 2020.

We've identified almost \$3 trillion in real spending cuts over a decade, and have only scratched the surface. New House rules enable Mr. Ryan to create the conditions for reform via enforceable spending caps on all domestic government spending if Congress fails to produce a budget. He should use this authority to halt the current spending binge.

None of this will be easy. Many will likely demagogue any reduction in the rate of growth of spending as a devastating "cut." But the politics of spending has changed, and there is an expectation among fiscally conservative voters—Republicans, independents, tea partiers and even Democrats—that the government tighten its belt, just as American families have been forced to do. Some in the Republican establishment have already started complaining that this is too politically difficult. These naysayers misread today's political climate. Should they succeed in blocking change, tea party voters will hold them just as accountable as big-spending Democrats.

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