

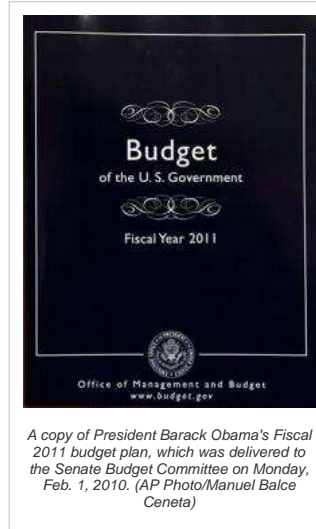
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**Libertarian Plan Balances the Federal Budget by 2020 Without Raising Taxes**

Tuesday, November 30, 2010

By **Matt Cover**



*A copy of President Barack Obama's Fiscal 2011 budget plan, which was delivered to the Senate Budget Committee on Monday, Feb. 1, 2010. (AP Photo/Manuel Balce Ceneta)*

**(CNSNews.com)** - A budget-balancing proposal from the libertarian CATO Institute achieves fiscal equilibrium in only ten years. The plan drastically cuts federal spending, reforms entitlements and makes permanent the Bush-era tax rates.

Written by Director of Tax Policy Studies Chris Edwards, **the plan** spares no area of federal spending in its quest to control the federal budget.

"Federal spending is soaring, and government debt is piling up at more than a trillion dollars a year. Official projections show rivers of red ink for years to come unless policymakers enact major budget reforms. Unless spending is cut, the United States is headed down the road to economic ruin," the plan says.

The plan proposes to cut spending by \$1 trillion annually by 2020, which would reduce spending to its late-1990s level of 18 percent of GDP. The plan also extends the Bush-era tax rates indefinitely, which Edwards estimates will bring revenues back to their traditional average of 18 percent of GDP, once the recession ends.

The plan focuses on spending cuts, arguing that the federal government has moved into areas it has no business being in and ought to be removed from.

"In recent decades, the federal government has expanded into hundreds of areas that should be left to state and local governments, businesses, charities, and individuals. That expansion is sucking the life out of the private economy and creating a top-down bureaucratic society that is alien to American traditions. Cutting federal spending would enhance civil liberties by dispersing power from Washington."

The plan argues that spending cuts should not be seen as a necessary evil just in a time of financial crisis: "Policymakers shouldn't think of spending cuts as a necessary evil needed to reduce debt. Rather, the government's fiscal mess is an opportunity to make reforms that would spur growth and expand individual freedom."

Edwards told CNSNews.com that he wrote his plan to demonstrate to lawmakers that the budget could be balanced without raising taxes, something that many Democrats say is impossible.

"A lot of the Washington experts think we need large tax hikes to solve our budget problem, and I wanted to show in this plan how you can cut the debt and even balance the budget over ten years without increasing

taxes," he said.

"It's going to be tough work," Edwards admitted, adding that "a lot of subsidy programs that people have used for years I think should be eliminated."

Edwards said liberal critiques of his proposals – that such large spending cuts would actually hurt the economy – are based on a flawed economic theory. Reducing spending to late-1990s levels would not doom the economy: "That Keynesian idea that somehow spending cuts are bad for the economy I think is completely, exactly wrong," he said.

Edwards also noted that his proposed level of federal spending is not exactly radical, given that 18 percent of GDP is exactly the level Democrats and Republicans agreed on in the late 1990s.

"That was a bipartisan thing between [former President] Clinton and the Republicans," he said. "Liberals like to forget when they're arguing for higher tax rates on rich people right now, they forget that the bipartisan 1986 tax reform act cut the top income tax rate to just 28 percent, and today it's already 35 and liberals want it up to 40 next year.

Liberals seem to forget that in the Clinton era, "Democrats were more moderate and were willing to accept lower tax rates and they were for more restraint in the budget."

A key proponent of Edwards' plan addresses defense spending, an area where conservatives are generally criticized when discussing budget cuts. Edwards' plan incorporates not just the usual reforms on how the Pentagon buys weapons and equipment, but also calls for a complete re-evaluation of the size of the U.S. military and the missions it undertakes.

"Over the last decade, the size of our ground forces and Marine Corps has grown substantially, and yet 9/11 was about terrorism and the response to terrorism, so there's no clear reason why the overall size of our military structure has grown," he said.

Edwards said that when it comes to the politics of spending cuts, there is no reason for Republicans to be "chicken" in telling the public exactly what they plan to cut. Edwards noted that former President Ronald Reagan and the Republican Congresses of the 1990's laid out specific spending cuts and did not suffer politically for them.

"I do not understand why even after the election, Republican leaders are being too chicken to tell us exactly where they would cut spending. We just had a landslide election. It's clear the American public wants cuts," he argued.

"I do not buy that spending cuts are bad for political popularity."

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