



## Why isn't Obama demanding corporate welfare cuts?

*Commentary: \$2.6 trillion could be saved without touching safety net*

By: Rex Nutting – December 18<sup>th</sup>, 2012

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WASHINGTON (MarketWatch) – If President Barack Obama and Speaker John Boehner really want to reduce federal deficits, they're doing a lousy job of it.

Rather than focusing their negotiations on specific and achievable savings that would stabilize our debt for a decade or more, the two leaders have instead been talking about areas of the budget in which there's almost no common ground.

When the CEO of Boeing talked to President Obama and Speaker Boehner about deficit reduction, he didn't ask them to kill the next generation bomber, which Boeing and Lockheed are offering to design and build.

Instead of reaching a reasonable compromise, each party is insisting that the other surrender unconditionally. The Democrats and Republicans alike would rather win a bloody political victory than achieve a negotiated peace.

For Democrats, the only goal of the fiscal-cliff confrontation seems to be raising tax rates and getting more revenue from the wealthy. For Republicans, it's shredding the safety net for seniors and the working poor.

They're ignoring the most obvious solution: Eliminating unproductive and unnecessary federal spending and tax expenditures, especially corporate welfare that only benefits special interests. If even we didn't have a deficit problem, we should eliminate or minimize this kind of wasteful spending.

And, contrary to what you've been told, there is plenty to cut.

We know why no one is talking about this solution: The corporate interests who feed at the public trough control the politicians and the media who have worked themselves into a frenzy over the debt and the fiscal cliff. You'll never see a group of CEOs, like Honeywell's David Cote or Jim McNerney of Boeing, come to Washington to lobby to have their subsidies eliminated, but you will see them ask for old and sick people to bear the costs of deficit reduction. [Read more about the CEOs lobbying in Washington.](#) Republicans have been berating the president for not offering specific spending cuts, but the Republicans haven't been specific either.

That's why Obama ought to offer a specific plan to reduce spending, without lowering benefits from Social Security and Medicare. At some point, we need to put those entitlement programs on a sound footing, but there's no urgency.

Obama doesn't have to run for office again, so he's free to say what everyone already knows: We don't need to subsidize farmers, or energy companies, or defense contractors, or pharmaceutical companies, or the real estate business, or banks, or hedge funds. Corn and coal and sugar and 30-year mortgages don't need to be subsidized.

It's possible to achieve all the budget savings we need for the next 10 years simply by cutting the fat out of discretionary spending programs and tax expenditures, without raising tax rates on the wealthy or cutting the safety net at all.

All we need to do is look at the recommendations of such good-government groups as the Government Accountability Office, Taxpayers for Common Sense, or the Cato Institute.

Here's my list of \$2.6 trillion in savings over the next 10 years. It doesn't cut education, or research into green energy, or reduce benefits for retirees. It doesn't just transfer our federal problems onto the states' treasuries.

**Eliminate unnecessary military spending:** \$675 billion in savings. Most of the savings would come from eliminating weapons we don't need — such as the F-35, the Osprey and the next generation bomber — and from slowing the growth of outsourcing at the Pentagon and the national security apparatus. We could also save a bundle by removing our troops, bombs and planes from Western Europe. Read all the recommendations of Taxpayers for Common Sense.

**Reduce the mortgage-interest deduction by a third:** \$650 billion in savings. Replacing the deduction with a refundable tax credit would lower the tax bill for most home owners and would raise revenue for the Treasury, the Congressional Budget Office has said.

**Eliminate certain corporate tax breaks:** \$300 billion in savings. Industries such as timber, mining, movies and auto racing receive special tax breaks that cost billions. There are special breaks for overseas operations, inventories, research and manufacturing that can be eliminated or tightened up.

**Reduce the tax gap (the difference between what taxpayers owe and what they pay) by 5%:** \$175 billion in savings. Hiring more investigators and requiring greater disclosure of income sources could reduce the tax gap. Tax cheaters shouldn't be protected. Read the GAO's recommendations on duplication and waste.

**Require competitive bidding on federal contracts, and coordinate purchases between agencies:** Estimated \$150 billion in savings. Most federal spending goes through a competitive bidding process, but about a third doesn't. In addition, the government often wastes money because it doesn't manage procurement the way large private companies do.

**Require Medicare to negotiate prices for drugs:** \$150 billion in savings. Medicare doesn't get the best price from drug makers because Congress won't allow it.

**Eliminate subsidies for energy companies:** \$150 billion in savings. The coal, oil and gas, and nuclear industries get substantial subsidies and tax breaks. Oil companies don't pay as much for federal oil as they should, ethanol producers get a hefty subsidy, and nuclear power plants get free catastrophic insurance from the government.

**Consolidate federal data centers:** \$150 billion in savings. The federal government operates thousands of separate data centers, many with spare capacity. IT experts from the private sector concluded the government could save \$150 billion to \$200 billion over 10 years by consolidating.

**Eliminate agriculture subsidies:** \$125 billion in savings. Agribusinesses get federal subsidies to grow corn, cotton, soybeans, wheat and rice. And sometimes they get paid for not growing a crop. The government also subsidizes crop insurance, foreign and domestic marketing programs, and even subsidizes removal of the BS that inevitably collects at feed lots and stockyards.

**Eliminate 10% of the improper payments in Medicare and Medicaid:** \$60 billion in savings. Reducing improper and overpayments by 10% would save \$60 billion.

**Other savings:** \$50 billion and up. The government subsidizes lots of other economic activity, from airports to water canals. It replenishes beaches, and subsidizes flood insurance. It builds lots of roads and bridges that aren't justified except as pork-barrel projects.

If there were ever there were a time to eliminate unproductive and unnecessary federal spending, you'd think this would be it. It's one thing to allow such waste when no one is paying attention to the budget. But now, when everyone is supposed to be doing their part to bring us back to fiscal sanity, there's no excuse to continue most of these programs.

If Grandma has to tighten her belt, then maybe Exxon, Boeing, Cargill, Disney and Merck should too.