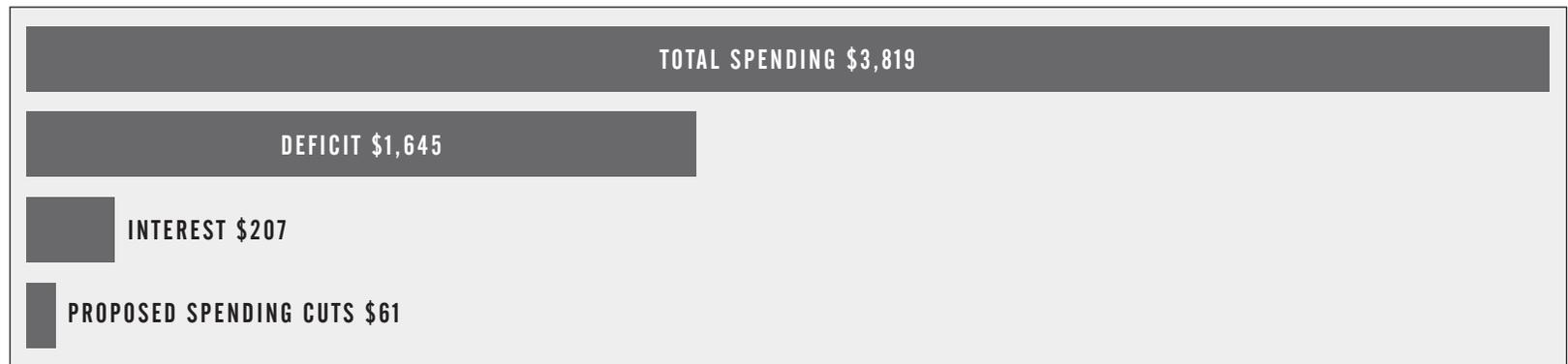


This is leadership?

FEDERAL BUDGET, 2011 (\$ BILLIONS)



In the face of a looming fiscal catastrophe, the House Republican leadership has proposed \$61 billion in spending cuts – but that’s less than 4% of this year’s massive \$1.65 trillion federal deficit. The Senate Democrats have only offered a paltry \$10 billion in cuts. Clearly, leaders and members of both parties are in deep denial about the fiscal emergency we face.

Enormous and nonstop deficit spending at the expense of future taxpayers is a national disgrace. Policymakers interested in seriously and responsibly cutting government spending need to consult DownsizingGovernment.org, where the Cato Institute is posting the results of our line by line review of the federal budget. With the Constitution as our guide, we’ve identified scores of agencies to eliminate and programs to cut or zero out, putting America on the path toward fiscal sanity.

Education Subsidies

Education is a state, local, and private matter—and that’s where the Constitution left it. Federal K-12 education programs have cost American taxpayers \$1.85 trillion since 1965 without noticeably improving outcomes. Eliminating them will save more than **\$40 billion annually**.

Farm Subsidies

Far from “saving the family farm,” federal agricultural subsidies are environmentally destructive corporate welfare, with more than 70 percent of aid going to the largest 10 percent of agribusinesses. Zeroing out farm welfare will save more than **\$20 billion annually**.

Military Overreach

The Constitution envisions a U.S. military that “provide[s] for the common defence” of the United States, not one that serves as the world’s policeman and nation builder. By withdrawing our troops from Iraq and Afghanistan, we could save more than **\$100 billion** next year. Eliminating other unnecessary overseas missions would allow for a leaner force structure and defense budget, saving at least **\$100 billion annually** without undermining U.S. security.

Transportation Programs

The federal government has no business funding state and local projects that make up the bulk of federal transportation spending. Federal involvement results in pork-barrel spending, excess bureaucracy, and costly one-size-fits-all regulations. Moving funding for activities such as highways to the states and air traffic control to the private sector would spur greater innovation while also saving **\$80 billion annually**.

Housing Subsidies

Federal interference in housing markets has done enormous damage to our cities and the economy at large. HUD subsidies have concentrated poverty and fed urban blight, while Fannie Mae and Freddie Mac stoked the financial crisis by putting millions of people into homes they couldn’t afford. Getting the government out of the housing business will save **\$45 billion annually**.

Federal Worker Pay

Federal workers enjoy far greater job security than their private-sector counterparts—and far better compensation: an average of \$120,000 a year in wages and benefits. Don’t just freeze federal pay, cut total compensation by 10 percent to save **\$30 billion annually**.

Energy Subsidies

Decades of federal energy subsidies are replete with corporate cronyism and failed “investments.” Entrepreneurs with their own capital have incentives to develop viable alternative energy sources. Ending federal energy subsidies would save **\$20 billion annually**.

Health Care

Medicare and Medicaid are driving the explosion in federal debt. With efforts to repeal the 2010 health care law underway, policymakers could achieve the same level of savings by moving to a consumer-driven health plan through vouchers, which would protect the elderly from government rationing. Medicaid should be converted to a fixed block grant to save money and encourage state innovation. Total savings would be more than **\$1 trillion** over the next decade.

Drug War

Since the start of the federal War on Drugs in 1970, we’ve spent hundreds of billions on a futile crusade that’s done little to curb drug use and much to impair our civil liberties. In fact, a Cato study showed that Portugal’s decriminalization of drugs actually lowered drug-related problems. Returning drug policy to the states—where it belongs—would save at least **\$15 billion annually**.

Social Security

Our largest entitlement program is lurching toward crisis. Social Security should be phased out as a mandatory program and an alternative voluntary system of private accounts, providing for ownership and inheritability, should be offered. Current obligations can be reduced by tying annual benefit growth to price inflation rather than wage growth, saving **\$40 billion annually** by 2020.