

# ON SPENDING: NO SACRED COWS

**W**e face another budget crisis and possible government shutdown as early as January, unless Congress can come together on a bipartisan basis to cut spending.

The Affordable Care Act is far from the only program that should be repealed. Both Democrats and Republicans must be willing to cut programs that are championed by special interests in their parties. There can be no more “sacred cows.”

Policy experts at the Cato Institute have put together a plan that balances the budget and reduces our dangerously high debt burden by cutting more than \$3 trillion over 10 years. It builds on good ideas from both liberals and conservatives to expand individual freedom and reduce the burden of government.

You can read more about needed reforms at [DownsizingGovernment.org](http://DownsizingGovernment.org), a project of the Cato Institute.

**CORPORATE WELFARE** | Farm aid distorts agriculture, harms the environment, and nearly all goes to well-off businesses. Energy subsidies have been disastrous—from a \$500 million loss on Solyndra to \$700 million wasted on a clean coal project in Mississippi. Phasing out farm and energy subsidies would save **\$160 billion**.

**PRIVATIZATION** | President Obama has suggested privatizing the Tennessee Valley Authority. TVA and other businesses may “no longer require federal participation,” his budget noted, which would “help put the nation on a sustainable fiscal path.” Other candidates for privatization include Amtrak, the Corps of Engineers, federal dams, airport screening, and air traffic control—which would save at least **\$110 billion**.

**INTELLIGENCE BUDGET** | The budgets of the CIA, NSA, and other intelligence agencies have become bloated with spending on vast and often invasive data collection efforts and armadas of drone aircraft. Cutting intelligence spending by one quarter would save **\$110 billion**.

**DRUG WAR** | The war on drugs wastes a huge amount of resources in our police and justice systems. It also harms civil liberties, foments violence, and does little to curb drug use. Ending the federal drug war and returning drug policy to the states where it belongs would save **\$110 billion**.

**SOCIAL SECURITY** | Social Security has huge unfunded obligations, and it causes ongoing damage by reducing personal savings and harming labor markets. Meanwhile, spending on federal disability programs has soared as the number of recipients has multiplied. America should move to a system of personal accounts for retirement and disability, but meanwhile we would save **\$640 billion** by indexing initial benefits to prices, modestly raising the retirement age, and trimming the disability rolls by one quarter.

**SUBSIDIES FOR THE STATES** | Washington runs more than 1,100 aid-to-state programs. They are hugely bureaucratic and stifle state and local innovation. Phasing out federal subsidies for K-12 schools would save **\$180 billion** and free states to improve the quality of their own education systems.

**SUBSIDIES FOR INDIVIDUALS** | The government’s vast array of individual aid programs would be better handled by state and local governments and private charities. Programs such as food stamps should be turned over to the states. Phasing out federal food stamp subsidies over 10 years would save **\$400 billion**.

**MILITARY OVERREACH** | The Constitution envisioned a military to “provide for the common defense” of the United States, not one that serves as the world’s policeman. Congress should reduce overseas military commitments, avoid foreign wars, and create a leaner force structure. Making reforms to meet the budget caps for 2014 and beyond could save at least **\$200 billion**.

**MEDICARE** | Medicare spending is the largest factor pushing the budget into crisis. Raising premiums and increasing cost-sharing would save **\$330 billion**. Policymakers should also restructure the program by directing payments to enrollees, not insurers or providers. That would generate greater choice, spur innovation, and improve access to care.

**MEDICAID** | Medicaid’s open-ended matching grants to the states have led to huge cost growth, but not better health care. Congress should give each state a fixed amount of funding and free them to experiment with better ways of providing care for the needy. Limiting annual growth in the block grant to five percent would save **\$760 billion**.

*Dollar amounts are savings over 10 years. Cuts are assumed to be phased in over 10 years. Total cuts include estimated interest savings.*