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Trimming Big Government


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When Donald Trump was elected president in 2016, a strident theme of his campaign — to cut government waste and finally rein in out-of-control spending — kindled hope among his supporters that, at last, America's mammoth and unsustainable federal debt could be brought under control. The 45th president is, after all, known for his business acumen, and made one of many fortunes with a television show in which he displayed his gimlet-eyed approach to business by unsympathetically firing subordinates who failed to make the grade. Surely the man who turned "You're fired!" into a popular usage was equal to the task of trimming Big Government down to size.

Yet here we are, near the end of President Trump's first tumultuous term in office, and the results have been mixed, to put it charitably. The president has drastically cut federal regulations, as promised, and cut taxes as well. The economy has responded enthusiastically to more favorable investment conditions, resulting in millions of new jobs and substantial growth in the long-stagnant manufacturing sector. All of this is certainly praiseworthy.

But the national debt has continued to balloon under President Trump, with the president's successive budget proposals, including the most recent, giving little evidence of a will to cut government spending in a meaningful way. According to official statistics, the national debt now stands above $23 trillion (although the total amount of federal of liabilities, including "off-budget" entitlements, is much higher), and shows no signs of shrinking, or even leveling off, anytime soon.

In fairness to the president (and to all of his presidential predecessors), Congress is mostly to blame for out-of-control government spending and the utter lack of budgetary discipline. This is because, per Article 1 of the U.S. Constitution, Congress controls the purse strings; all bills for raising revenue must originate in the House, and the powers of taxation, borrowing money, issuing credit, and coining money, and all other fiscal and monetary powers, are granted by the Constitution to the legislative branch, not the executive. To the extent that the president gives rhetorical countenance to unsound and unconstitutional spending, or fails to veto legislation authorizing the same, he certainly bears a share of the blame. But it is Congress that must primarily be held to account for the growing crisis of debt and unrestrained spending, a crisis which, if not soon remedied, will bring America to its knees.

Nevertheless, it is the president who normally issues a detailed budget proposal each year (Congress has passed a budget only seven times in the last 15 years, the most recent two being in 2016 and 2010; more often, it simply spends money by seat-of-the-pants legislation called "continuing resolutions"), so it is the president's perspective that usually is reckoned as typical of the fiscal climate in Washington. President Trump's recently released budget proposal for fiscal year 2021 is the best indicator of fiscal trends that we are likely to see anytime soon.

The president's introduction to the budget proposal lists a selection of budgetary priorities, namely, better trade deals, preserving peace through strength, overcoming the opioid crisis, regulation relief, and American energy independence. Some of these objectives are laudable: A strong military, regulation relief, and energy independence are all certainly ingredients in maintaining American strength, prosperity, and independence. On the other hand, the constitutionality of federal involvement in opioid addiction is dubious, and the much-touted new North American trade deal that has replaced NAFTA is, as amply documented in the pages of *The New American*, a dangerous surrender of American sovereignty under the guise of "fair trade."

True to his reputation as a businessman concerned about bottom-line discipline, President Trump has once again produced a budget that unabashedly highlights "stopping wasteful and unnecessary spending." The criteria given for assessing spending priorities are:

First, all Government programs should have a direct, clear, and immediate purpose and not duplicate other programs.

Second, all Federal spending should provide a necessary public service and serve a clear national interest. American taxpayers deserve a Government that is not spending taxpayer dollars to support a Muppet Retrospectacle in New Zealand or millions to prepare religions for discovering extraterrestrial life (which are real, and unfortunate, examples of wasteful spending).

Third, all spending should fund its intended purpose and reach its intended recipient. That is, there should not be improper payments that result in monetary loss to the Government, such as when beneficiaries receive an incorrect amount, or deceased individuals continue to receive assistance.

Fourth, the Government should be frugal and strive to avoid overpaying for items.

Fifth, the Federal Government should spend only the amount necessary to achieve intended goals, and all expenditures should be assessed on that basis.

Sixth, each dollar spent should be measured by its effect on actual outcomes.

Accordingly, the Trump budget directs its energy toward "eliminating duplicative programs," "eliminating programs with no proper federal role," "putting an end to improper payments," "conducting oversight of spending categories," and "stopping improper end-of-year spending." For those of us accustomed to decades of budget proposals that seldom pay even lip service to fiscal restraint, this is heady stuff. Of particular note is the goal of "eliminating programs with no proper federal role." While we would prefer even less ambiguous language, such as "unconstitutional programs," the mere acknowledgment that many programs exceed the powers delegated to the federal government is a refreshing change. And while the other budget criteria are certainly prudent, the essential condition of true federal spending reduction must be the elimination of unconstitutional programs.

Unfortunately, the list of such programs "with no proper federal role" in this particular budget proposal is disappointingly thin: The six programs given as examples are "applied energy programs," "education and research centers (ERCs) within the National Institute for Occupational Safety and Health," "Department of the Interior (DOI) Highlands Conservation Act grants," "funding for the National Park Service's Save America's Treasures grants," "the National Endowment for the Arts (NEA)/National

Endowment for the Humanities (NEH)," and "the Corporation for National and Community Service (CNCS) (including Americorps)." All such measures, though welcome and long overdue, represent only tiny nibbles around the edge of the gargantuan federal budgetary pie.

Programs such as the NEA have been under fire by conservatives for decades; the NEA and NEH have long been held up as textbook cases of activist Big Government run amok, for their unrepentant funding of artists who produce blasphemous and otherwise obscene materials at taxpayer expense. Such programs have resisted all efforts to defund them, pointing out how deeply entrenched even relatively trivial Big Government programs can become.

But these notorious programs account for only a tiny part of unnecessary government spending, and serve to distract from the true magnitude of the problem. How useful is it to expend energy on one or two programs that have long been lightning rods for controversy, such as the NEA, while ignoring the inconvenient truth that entire departments need to be defunded in order to begin to make a meaningful dent in unconstitutional government spending? What is needed is not the termination of two or three high-profile programs as a sop to social conservatives, but the wholesale shuttering of departments such as the Department of Education, the Department of Housing and Urban Development, and the Department of Health and Human Services, none of which enjoys the remotest constitutional standing.

While the Trump administration's new focus on eliminating some wasteful programs and putting an end to year-end splurges on golf carts and china tableware (two items mentioned, which combined cost the taxpayers several hundred thousand dollars last year) are certainly admirable, they fall far, far short of the mark. In fact, it is very plain, and has been for several years, that President Trump is nowhere near being a true proponent of limited government within anything approaching constitutional boundaries, and neither are most of his allies in Congress. While his instincts may be more aligned with the priorities of constitutionalists than those of his recent presidential predecessors, make no mistake about it: President Trump has yet to manifest a consistent, constitutionally informed intent to make truly meaningful cuts in the size and cost of the federal government.

For example, the Department of Education, an unconstitutional monstrosity created during the Carter administration, would receive $66.6 billion in funding in fiscal year 2021 under the Trump budget proposal, a $5.6 billion, or nearly eight-percent, decrease in funding compared with the current fiscal year, but still a mammoth sum. This money would be spent on the usual range of fedgov educational conceits, which have a nearly 50-year track record of exacerbating whatever problems they are intended to solve. Included under the Department of Education's budget is a $19.4 billion block grant for local educational priorities pursuant the requirements of the 1965 Elementary and Secondary Education Act, $2 billion for Career and Technical Education state grants, $13 billion for students with disabilities (a $100 million increase over fiscal year 2020), and $749 million in support for historically black colleges and universities. As with all federal spending, the issue is not whether any of these, and the numerous other items under the Department of Education's purview, are worthy causes in and of themselves; the issue is whether they are proper objects of federal spending. Worthwhile as spending on better education for the disadvantaged and more technical training may be, they are not allowable under the U.S. Constitution's very limited, well-defined set of powers granted to Congress and the federal government. All of these causes may be well-served by government action — but at the state and local, not the national level.

Speaking of worthy causes, no rational person would deny the value of improved healthcare. But as more than a hundred years of experimentation with socialized medicine all over the world, including the United States, has taught, government involvement in healthcare always leads to greater and greater costs, more and more inefficiency, and chronic shortages of goods and services. Even if government had a better track record in this area, it is still the case that the U.S. Constitution confers zero authority over healthcare; indeed, there was no such thing as a “healthcare system” in early America.

Notwithstanding, the Department of Health and Human Service’s budget continues in the longstanding tradition of lavishing federal funds on the illegitimate overseer of America’s health and medical needs. The centerpiece of this year’s HHS (Health and Human Services) spending is $5 billion to combat drug abuse and the opioid epidemic. It’s worth noting that such epidemics are nothing new in American history. The use of morphine during the Civil War led to a major drug problem afterward, while the 19th-century over-the-counter opiate laudanum, widely prescribed for relief from menstrual pains and other complaints, was widely abused by housewives. (President Lincoln’s wife, Mary Todd Lincoln, was a famous laudanum addict.) In the early 20th century, the federal government began to regulate food and drug products pursuant to the Food and Drug Act of 1906 and the Harrison Narcotics Tax Act of 1914, a sea change in government encouraged by the Progressive movement that has led ultimately to the modern unending war on drugs, with all its costs and social consequences.

The stir over opioid addiction is but the latest attempt to expand federal government control over personal use of addictive and otherwise harmful substances. As with so many causes, some government role in limiting consumption of addictive substances such as alcohol, drugs, and tobacco is certainly defensible, given the widescale social damage these products can cause. State and local jurisdictions have a long history of deciding for themselves what limits to place on alcohol use, for example. But federal government involvement in such matters, except in controlling smuggling, would appear to have no constitutional countenance. Moreover, all federal anti-vice campaigns, from Prohibition to the War on Drugs, have always ended up costing enormous sums of money and leading to perverse social consequences, such as crime waves and the criminalization of often trivial offenses that has led to mass incarceration. Besides HHS monies, the Trump budget also includes more than $3 billion for the Department of Justice for spending on law enforcement-related functions concerned with the opioid epidemic, adding up to more than $8 billion altogether of federal funds spent on the opioid crisis. Given historical precedents, it is difficult to believe that $8 billion would be money well spent.

Additional funds proposed for the HHS include $716 million for research related to the spread of HIV, $74 million for research into improving maternal health, and $38 billion for additional health-related research at the National Institutes of Health (NIH). In all, the Trump budget would allocate a whopping $94.5 billion for this year’s HHS budget, a claimed 10-percent reduction from last year’s budget, but a gargantuan sum nonetheless — and every cent of it spent on a department with no legitimate constitutionality. While the budget claims that the streamlining of costs for HHS will result in “$1.6 trillion in net mandatory health savings,” the fuzzy math giving rise to this figure is far from clear (presumably, those savings will be entailed in large measure by decreased healthcare costs resulting from better preventive healthcare, but such claims are impossible to verify). Moreover, the Trump budget leaves intact the “mandatory” monstrosity that is Medicare, one of America’s first forays into socialized medicine, and a huge thorn in America’s fiscal side ever since.

The Trump 2021 budget requests $47.9 billion for the Department of Housing and Urban Development (HUD), a claimed 15.2-percent decrease from the previous year. The fact that this constitutionally superfluous department has not been completely defunded, however, is — as with HHS and DOE (Department of Education) — a testament to the enduring power of Big Government. The lion's share of this year's HUD budget will be the $41.3 billion spent on HUD's rental assistance programs for low-income families. But however worthy such assistance programs may be in principle, they certainly fall far outside the Constitution's grant of federal government authority, and could be far more efficiently discharged by state governments.

Fiscal 2021's Department of Labor (DOL) budget proposal purports to streamline spending and reduce waste, relative to previous budgets, to the tune of a 10.5-percent decrease. That's a good start, but the current budget still allocates $11.1 billion to this blatantly unconstitutional department, which should end up, along with DOE, HUD, and HHS, on the ash heap of permanently defunded government programs. But in the near term, the federal gravy train for DOL will continue, with the usual billions spent on federally sponsored jobs training, unemployment insurance, and other longtime favorites of the progressive Left.

So pervasive is the culture of Big Government that even for departments on solid constitutional ground, such as the Department of State, waste and illicit handouts are rife. Charged with conducting America's diplomacy, the Department of State has become a de facto global sugar daddy, annually dispensing billions in foreign aid to governments all around the world, ostensibly as acts of charity but, in most cases (as we have recently seen with the kerfuffle over the Ukraine), simply to leverage the interests of America's elite and well-connected. Included in this year's budget proposal are such goodies as $1.5 billion for countries in the Indo-Pacific region and $700 million to European and Central Asian countries to counter Russian influence. Too, $3.3 billion are earmarked for aid to "bolster Israel's capacity to defend itself against threats in the region" — a sum that is offset by generous donations of taxpayer money to certain of Israel's enemies, such as the $1.3 billion apiece awarded to Egypt and Jordan!

Nor are foreign regimes the only direct beneficiaries of foreign-aid programs. The budget also contemplates spending $1.5 billion on multilateral development banks (such as the UN-affiliated World Bank) and $200 million on the Women's Global Development and Prosperity Fund to help women in underdeveloped countries develop entrepreneurial skills, for example.

The Department of Transportation would appear to take second place (following only the Department of Defense with its military appropriations) in the budgetary pie, with a proposed $1 trillion in total "infrastructure investment" over the next 10 years. While the federal government may have a constitutionally valid role to play in the construction and maintenance of interstate highways, airports, railroads, and other arteries of interstate commerce, it can ill afford such extravagances when augmented by frivolous programs promoting driver safety, maintaining the longstanding federal boondoggle Amtrak, subsidizing air service to rural airports, and other transportation-related hemorrhages.

In general, costly but justifiable federal expenditures, such as military and highway spending, become much more fiscally precarious in combination with the hundreds of billions spent on the myriad programs that are clearly not constitutional under any reasonable interpretation, from foreign aid in all its forms to ever-popular healthcare reform. As a former Illinois Congressman, Everett Dirksen, once whimsically put it, "a billion here, a billion there, and pretty soon, you're talking real money!"

Even were the latest Trump budget proposal 100-percent fiscally fit and constitutionally covered, there's still an elephant in the room that Washington has willfully ignored for decades: "mandatory spending." The very term "mandatory" is intended to invoke a sense of numinous awe; it implies that these are expenditures that we simply cannot refuse to make. They are enjoined upon us by some authority higher than any annual budgetary wrangling; they are the "third rail" of Washington politics, above the normal petty fray. These expenditures, of course, are payments to Social Security and Medicare recipients, venerable (albeit unconstitutional) federal programs that have been around for generations, allegedly saving Americans from the economic and medical pitfalls of old age and retirement. The popular perception is that they are funded by trust funds of some sort, full of "contributions" made via FICA taxes — entitlement programs, to be sure, but not welfare per se, because Social Security and Medicare recipients are only getting back money that they paid into the system over years of hard work. Such, at least, is the official narrative and the popular belief.

The truth is more nuanced. While there really is a Social Security Trust Fund (which actually consists of two separate trust funds, the Federal Old Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund) presided over by a board of trustees that includes the secretary of the treasury and the secretary of health and human services, it is nothing like a typical trust fund such as, say, a university endowment or a family trust. These types of entities consist of a wide range of liquid and semi-liquid assets, including stocks, bonds, and interest-bearing bank accounts. The Social Security Trust Fund, by contrast, consists entirely of non-marketable government-issued securities — in other words, federal IOUs, albeit IOUs assigned interest rates.

Annual expenditures to Social Security recipients are paid using annual FICA tax receipts and interest payments from the "trust fund," with excess liabilities covered by drawing down the fund itself. The fund currently holds close to $3 trillion dollars, but is expected to be exhausted by the early 2030s, owing to the massive numbers of Americans moving into retirement over the next decade. As for the money actually paid into the fund over the years, all of that has simply been spent on whatever the government has deemed fit, supplying IOUs backed by the "full faith and credit" of the federal government as collateral. Thus the "savings" in this fund actually represent an enormous liability of several trillion dollars. In other words, far from being an actual savings program or trust fund, Social Security is a pay-as-you-go-program, with most of its disbursements simply transferred from current taxpayers to eligible retirees. What's more, the rate of return has been gradually reduced over time, with today's Social Security recipients getting far less "bang for their buck" than retirees 50 years ago. Epic inefficiency and cost overruns have plagued the Social Security Administration for decades, with calls for reform and even phasing out typically falling on deaf ears. To the less charitably inclined, the Social Security program, with its misleading rhetoric about trust funds and retirement savings, looks more like a Ponzi scheme than a government safety net.

As with Social Security, Medicare is also funded by two trust funds, the Hospital Insurance Trust Fund and the Supplementary Medical Insurance Trust Fund. The former is paid for by FICA taxes, while the latter is primarily funded by old-fashioned congressional appropriations. Together the two funds held about $290 billion at the end of fiscal year 2017. As with Social Security, the changing demographics of America's retired population (coupled, in this case, with spiraling healthcare costs) have led to a steady erosion of the Medicare program, with the number of workers (whose taxes pay annual Medicare expenditures) per Medicare recipient projected to decline from over three to just 2.4 by the year 2030.

But the real question, which no one can answer, is: Just exactly how high are future federal liabilities for Social Security and Medicare? No one really knows, and therein lies the rub.

Social Security and Medicare are officially "off-budget," meaning that outlays stemming from these two programs are not regarded as negotiable. A number of factors are driving both these programs into insolvency, including the constant erosion of the value of the dollar (i.e., $100 in "contributions" to Social Security a generation ago is worth far less now), the steady decline in real wages (i.e., today's wage earners are paying far less into the system to support Social Security payments based on higher wages of yesteryear), and the decrease in the sheer number of wage earners relative to the number of retirees. This last factor is driven by several demographic considerations, including the trend toward much smaller families, the much longer post-retirement life spans of 21st-century Americans, and the ballooning number of retirees as wave after wave of baby boomers reach their golden years and quit the workforce. Social Security, after all, was designed with the demographics of the 1930s in mind, when the average length of time spent in retirement was far less than it is today, and when the number of young workers far exceeded the number of retirees.

All of which is to say: While the federal government is obliged to pay Social Security and Medicare benefits to hundreds of millions of Americans eventually, it is impossible to know what the full amount of all its obligations to those future generations of retirees may be, much less how changing demographic and economic trends may diminish our ability to pay. If, for example, it were possible to determine for certain that, between the year 2020 and the year 2035, the federal government will need to disburse a grand total of $121 trillion dollars in Social Security payments, there would still be no way to anticipate whether the government could meet those obligations.

Even if the trust fund were reckoned in real savings instead of IOUs, it would not be enough to cover anywhere near that much money should other funding sources dry up. And should another Great Depression or other major unexpected event, such as a war or epidemic, lead to massive unemployment or a drastic decline in wages, it is entirely plausible that annual FICA taxes could suddenly be unable to provide the necessary funds year to year. In such a case, the government might be forced to default on its Social Security and Medicare obligations, leading to unimaginable disruption in the lives of the tens of millions who have come to depend on such programs. In such an epic collapse, we would suddenly find ourselves strapped with extra tens, and perhaps hundreds, of trillions in unpayable government debt — obligations that we have so long reassured ourselves are "mandatory."

What, then, should be done to truly get federal spending and the federal debt (currently over $23 trillion and rising vertiginously) under control? At least three steps will need to be taken to halt the out-of-control deficits and debts, none of which necessarily involves raising taxes:

Defund all unconstitutional budget items, including entire departments, such as DOE and HUD, that have no legitimacy under the Constitution.

Trim down all remaining legitimate programs to make them as cost-effective as possible.

Enact a plan to phase out Social Security and Medicare fairly, by allowing taxpayers to opt out of the program, and by eliminating it altogether for new entrants into the workforce.

Of these, the Trump administration has shown a strong inclination for the second, a limited enthusiasm for the first, and no interest at all in the third.

Such measures will of course prompt howling and screaming among all the interest groups — including hundreds of thousands of federal employees — who have developed a sense of entitlement because of these programs. In the case of those who have spent a lifetime paying into Social Security and Medicare, of course, it would be monumentally unjust to deny them promised benefits. But it is equally unfair to force the employed to pay FICA taxes for which they will someday receive greatly diminished benefits, as has been the case for at least a generation. The legions of employees of the many government agencies and departments, who generally view their work as indispensable, will have to look for gainful employ outside the government sector, and some short-term disruption is to be expected. But all of these inconveniences pale by contrast with the specter of national bankruptcy. The world is littered with the economic corpses of countries, such as Argentina, that are simply unwilling to let go of their welfarism and deficit spending. Should the United States follow in their wake, the results would be calamitous for the entire world.

On the other hand, should America finally steer the budgetary ship in the right direction, we might become accustomed, once again, to a truly limited, relatively inexpensive federal government. We might develop a national appetite for public thrift. We might watch with collective satisfaction as our immense federal debt slowly dwindles down to a manageable level.

After all, a billion here, a billion there, and pretty soon you’re talking real savings.

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