

The Challenges Facing the Department of Government Efficiency

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(Left) Entrepreneur and author Vivek Ramaswamy arrives on stage for the first Republican Presidential primary debate at the Fiserv Forum in Milwaukee, Wis., on Aug. 23, 2023. (Alex Wroblewski/AFP via Getty Images) (Right) Elon Musk attends the 2022 Met Gala celebrating "In America: An Anthology of Fashion" at The Metropolitan Museum of Art in New York City on May 2, 2022. Dimitrios Kambouris/Getty Images for The Met Museum/Vogue



By Mark Hendrickson

A A Print

Commentary

President-elect Donald Trump has stated his desire to create a Department of Government Efficiency (DOGE) to be headed by two hugely successful entrepreneurs—Elon Musk and Vivek Ramaswamy. The nomenclature of the proposed department is problematical, since “government efficiency” is an oxymoron. The Commission to Shrink Government would have been more accurate. But DOGE it is, and slashing spending and bureaucracies is a goal much to be desired and urgently needed.

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The urgency for downsizing the federal government is due to the ballooning costs of paying interest on our ginormous national debt. I and others have been writing about the debt problem for decades, but now the national debt has reached a critical stage. According to sdebtclock.org, the federal debt passed \$36 trillion last week.

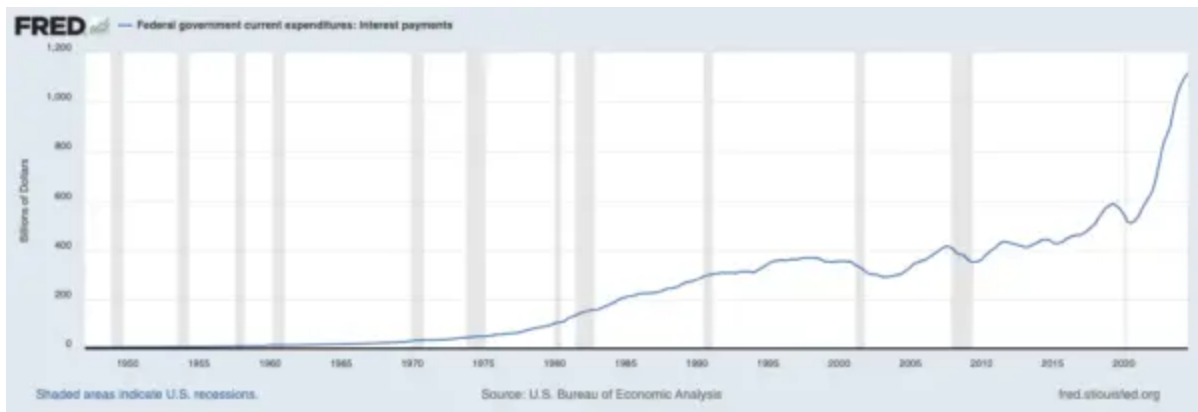


There is nothing inherently significant about the number \$36 trillion, but as you can see from the accompanying [chart](#) published by the Federal Reserve Bank of St. Louis, the annual cost of the federal debt has exploded from under \$600 billion in 2020 to over \$1 trillion now.

To put this in context, Uncle Sam’s largest source of revenue is the personal income tax, which brought in not quite \$2.2 trillion last year. That means that almost half of our income tax payments now go to servicing the debt on past expenditures rather than funding current programs.

The reason for the abrupt acceleration in total debt payments is the rise in interest rates since 2020. Federal deficits swelled during the Obama presidency just as they did during the Biden presidency, but during the Obama years, [the Federal Reserve ZIRPed us](#)—that is, they suppressed interest rates for nearly a decade with their so-called “Zero Interest Rate Policy.” The artificially low interest rates kept the annual interest payments on the national debt from rising, thereby disguising the negative economic impact of Obama-era overspending by pushing it out to the future.

Well, the future has arrived. Today, with [interest rates over four percent](#), Congressional Budget Office and Office of Management and Budget figures show that we are now paying approximately 3.2 percent of our GDP in interest on the debt. See chart:



This is a critical threshold for debt. Since the turn of the century, the U.S. economy has had a hard time growing at a rate of 3 percent per year. We need to achieve 3.2 percent growth just to keep up with interest payments; if we grow more slowly and interest rates remain at current levels, interest payments on the federal debt will consume an increasing share of GDP. When debt grows faster than GDP, it begins to cannibalize the economy.

The Task Ahead: Big Cuts, Many Choices

So, how can Musk and Ramaswamy shrink the federal government? Surely, they will go after the low-hanging fruit of the many outrageous expenditures like the [\\$518,000 to study](#) how cocaine affects the sex lives of Japanese quails.

They could save more by putting an end to the billions of dollars spent funding bogus climate-change alarmism projects.

They could trim more fat by taking the federal office buildings that reputedly have 20 percent occupancy rates and forcing four or five such agencies to consolidate and sell off the unneeded buildings.

They certainly need to take a meat axe to the grants that federal agencies (looking at you, EPA) that fund anti-growth activism.

But even then, such sensible cuts won't achieve a significant decline in federal spending. The truly major changes, if there are to be any, will need to come from Congress.

Congress must support efforts to reduce government spending. They need to repeal or drastically cut egregiously wasteful laws (e.g., Inflation Reduction Act).

Congress must abolish or radically downsize rogue bureaucracies that, in defiance of Supreme Court decisions like 1922's *West Virginia v. EPA*, continue to promulgate, in whack-a-mole fashion, stifling regulations that exceed the bureaucracies' statutory authority.

Congress must slash subsidies to environmentally harmful [green boondoggles](#) like [solar](#) and [wind energy](#).

Congress must put an end to the insane regulatory "finding" that carbon dioxide—the base of the food chain on Earth and the primary cause of an ongoing greening the planet—is a pollutant.

Question: Can drastic cuts to government enhance prosperity, or would they tank the economy? It's time for a quick history lesson: What 20th-century U.S. president had the most successful economic program? If your answer is "Ronald Reagan," you're close, but that answer is probably due to recency bias. By far the most successful economic program of the previous century was that of Warren G. Harding. Having inherited a deep depression that saw GDP shrink by over 23 percent and unemployment explode from under 5 percent to over 14 percent in 1921, the year he took office, Harding implemented policies that resulted in industrial production rising by 27 percent in 1923 while unemployment fell all the way to 2.4 percent.

What was Harding's program? He [cut federal spending by half](#) in just two-plus years while also cutting tax rates. He shrank government big-time, allowing the private sector to flourish. Compare Harding's policies to those of Franklin Roosevelt a decade later. Roosevelt tried to combat depression by expanding government and engaging in [massive deficit spending](#). Those policies, far from ending the

depression, prolonged it for a decade. (Think of that the next time you read how presidential scholars rank the presidents. The ideological progressives who are cheerleaders for bigger government naturally defend Roosevelt and bash Harding, but the facts are on [Harding's](#) side.)

Realistically, Harding-scale cuts to federal spending aren't politically feasible today. Even after Harding's bold cuts, the federal budget was still more than twice as large as it had been just five or six years previously, before the U.S. entry into World War I. Americans hadn't become addicted to Big Government.

By contrast, today there are several generations of Americans who have become habituated to Uncle Sam's myriad spending programs. That inertia will be hard to break. But given the seriousness of annual trillion-plus-dollar interest payments on debt, we, the people, should cheer on Musk and Ramaswamy as they fight the good fight. As we wish them success, let us hope that Congress has the same zeal for downsizing federal spending. But don't hold your breath...

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