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How to Cut $2 Trillion of Fat from the Federal Budget

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Commentary

Agoal of $2 trillion of budget savings is crucial to the very future of Constitutional democracy and capitalist prosperity in America. In fact, the soaring public debt is now so out of control that the Federal budget threatens to become a self-fueling financial doomsday machine. So more power to the DOGE of Musk and Ramaswamy. In spades!

For want of doubt, just recall this sequence. When Ronald Reagan was elected in 1980 on a call to bring the nation's inflationary budget under control, the public debt was $1 trillion.

By the time Donald Trump was elected the first time it had erupted to $20 trillion, which has now become $36 trillion. And under current built-in spending and tax policies it will hit $60 trillion by the end of the current 10-year budget window.

Thereafter, however, soaring interest expense will ignite a veritable fiscal wildfire. On paper, the public debt would power upward unabated to *$150 trillion* by mid-century under the CBO's latest projection. Yet even the latter is based on a Rosy Scenario budget model that assumes Congress never again adopts a *single new tax cut or spending program* and that the US economy steams along without a recession, inflation recurrence, interest flare-up, or other economic crisis during the entirety of the next quarter-century!

Of course, long before the public debt actually hits $150 trillion or 166 percent of GDP per the CBO's current long-term projection, the whole system would implode. Every remnant of America as we now know it would go down the tubes.

So we need to be clear that the team of Musk and Ramaswamy is talking about savings of $2 trillion *per year* and relatively soon, too. We make this clarification because we see the usual clueless commentators on Bubblevision saying, "Oh, they must be talking about $2 trillion over 10 years or at least a multi-year period of time."

But we don't think they meant that at all because Elon's statement on the matter at the Madison Square Garden rally was very clear, and, quite frankly, if realized over 10 years or even 5 years it would be hardly worth the bother. That's because the nation's fiscal doomsday machine will be accumulating interest expense so fast as to make $2 trillion of savings spread over a decade little more than a rounding error. To wit, Federal interest expense has already passed the $1 trillion per year mark, which figure will hit $1.7 trillion by 2034 according to CBO and would top $7.5 trillion per year at minimum by our calculations by mid-century.

That is, if something drastic is not done now—like a $2 trillion*annual* budget savings soon—America will be paying more interest on the public debt within 25 years than the entirety of the Federal budget—Social Security, defense, Medicare, education, highways, interest, and the Washington Monument—today.

So, yes, Musk surely did mean $2 trillion per year in this interchange:

"'How much do you think we can rip out of this wasted, $6.5 trillion (annual) Harris-Biden budget?' Howard Lutnick, a Wall Street CEO and Trump's transition team co-chair, asked Musk at the former president's recent rally held at Madison Square Garden in New York City.

"Without offering specifics, Musk said in response that he thinks 'at least $2 trillion' in a brief moment that has since gained widespread attention online and drawn mixed reactions from budget world."

Obviously, the sprawling Federal government and its prodigious expanse of spending and debt literally defies easy comprehension and graspable solutions. After all, the current annual budget of $7 trillion amounts to Federal spending of nearly $20 billion per day and $830 million per hour. And when you talk about the 10-year budget outlook, comprehension literally fades away completely: The current CBO spending baseline for 2025–2034 amounts to *$85 trillion* or just shy of the *annual GDP of the entire planet this year.*

So based on experience we suggest building the $2 trillion case around a target year and several big buckets of savings by type. The latter can then be used to build a detailed but comprehensible plan for arraying and conveying the desperately needed house-cleaning of the Federal budget.

In that context, FY 2029 makes the most sense as a target year since it would represent the 4th and outgoing Trump budget; and also one which would give sufficient time for phasing in some of the sweeping cuts that will be needed, but not so far in the distant future as to be largely irrelevant to the here and now of fiscal governance during Donald Trump's second term.

We'd also suggest three big buckets of savings, which we would short-hand as follows:

- ***Slash the Fat***... by eliminating unnecessary and wasteful agencies and bureaucrats wholesale.

- ***Downsize the Muscle***... by curtailing national security capacities and functions not needed for an America First policy.

- ***Cut the Bone***... by reducing low-priority entitlements and subsidies that the nation cannot afford, and which a reasonable view of societal equity does not require.

Needless to say, when it comes to the vast wasteland of the Federal budget there are innumerable ways to skin the cat. But based on our own experience of more than a half-century of familiarity with the Federal budget as both a participant and an informed observer, we judge the following mix to be the most plausible and balanced way to get to the $2 trillion of annual savings by FY 2029.

To be sure, even this relatively judicious mix is sure to ignite firestorms on the banks of the Potomac like never before, but it can be strongly justified and defended for the reasons we will lay out in several subsequent installments.

- Slash the Fat: $300 billion or 15 percent.

- Downsize the Muscle: $500 billion or 25 percent.

- Cut the Bone: $1.2 trillion or 60 percent.

Suffice here to say that even the first bucket would leave them screaming to high heaven in the Swamplands of DC. But even that $300 billion savings could be accomplished only by eliminating entirely the estimated $50 billion annual cost of Biden's misguided Green New Deal, including all EV credits and subsidies, and $150 billion per year of other forms of corporate welfare and subsidies embedded in the budget and tax code.

We will amplify the details of this $200 billion of inherent fat and waste in Part 2. But suffice it here to say that attacking the usual shock effect lists of outrageous studies, stupid foreign aid projects, or even payments to dead people, as is often used to illustrate wasteful spending, will get you barely a fractional decimal point of the savings target, as desirable as eliminating this nonsense might be in its own right.

For instance, the savings from eliminating "Dr. Fauci's Monkey Business on NIH's Monkey Island" from the list below would amount to just *0.002 percent* of the $2 trillion target, while eliminating the "USAID Fund to Boost Egyptian Tourism" would save just *o.0003 percent* of the target.

Even some of the larger ideas of this sort, such as more timely elimination of dead people from the Social Security rolls, would not get you very far, either. That's because 1.1 million Social Security recipients pass on their rewards each year, and departing beneficiaries would be receiving an average benefit currently of $1,907 per month. So one month of dead people on the rolls costs the not inconsiderable sum of *$2.1 billion*.

At the present time, however, that does not actually happen. The rolls are purged every month based on newly filed death certificates, and this encompasses the termination of payments to anyone who died during the month, including the last day. So the average duration on the rolls of Social Security decedents is 15 days, which computes to $1.050 billion of payments.

Thus, the average duration of dead people on the rolls might well be cut by two-thirds if the Musk and Ramaswamy team could come up with some more efficient software to monitor, report, recalculate last month's benefits, and then terminate decedents. In turn, that means getting the dead people off Social Security 10 days faster would amount to a savings of $700 million per year or about *0.04 percent* of the $2 trillion target. That is to say, there is undoubtedly room for efficiency improvements and elimination of outright waste and stupidity everywhere in the Federal budget, but it unfortunately adds up to rounding errors.

Stated differently, if it doesn't "scream and bleed" politically it won't likely make a dent in achieving the $2 trillion goal. There is just plain nothing antiseptic about slashing the Federal budget.

In this regard, it would take an average *47 percent cut in the current nondefense Federal headcounts* of 1.343 million, including the elimination of a dozen or more agencies entirely, to achieve the balance of $100 billion of savings in the Slash the Fat category.

And that's a comprehensive figure based on an average cost per Federal employee of $100,000 in pay per year plus $44,000 in average benefits and fringes—escalated to $160,000 per bureaucrat by FY 2029. In Part 2, we will lay out the most plausible and judicious route to the Slash the Fat category with respect to both $200 billion of corporate welfare and Green New Deal waste and $100 billion of excess nondefense payroll.

Then in Part 3, we will lay out how to cut $500 billion per year of unneeded muscle from the national security budget, followed by $1.2 trillion per year of bone from the entitlement and domestic welfare basket.

From the Brownstone Institute

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David Stockman is senior fellow of Brownstone Institute. His career in Washington began in 1970, when he served as a special assistant to U.S. Representative, John Anderson of Illinois. From 1972 to 1975, he was executive director of the U.S. House of Representatives Republican Conference. Stockman was elected as a Michigan Congressman in 1976 and held the position until his resignation in January 1981. He then became Director of the Office of Management and Budget under President Ronald Reagan, serving from 1981 until August 1985. After leaving government, Stockman joined Wall Street investment bank Salomon Bros. He later became one of the original partners at New York-based private equity firm, The Blackstone Group. Stockman left Blackstone in 1999 to start his own private equity fund based in Greenwich, Connecticut. He is the author of many books on politics, finance, and economics. He runs the subscription-based analytics site ContraCorner.

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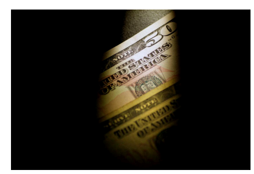

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