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CATO INSTITUTE REPORT TO THE DEPARTMENT OF GOVERNMENT EFFICIENCY (DOGE)

How to Downsize and Reform the Federal Government

Edited by

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and

Ryan Bourne

December 11, 2024

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DOGE's Important Mission

The creation of the Department of Government Efficiency (DOGE), tasked with identifying reductions in federal bureaucracy and wasteful government spending in coordination with the president and the Office of Management and Budget, comes at a time when the federal government and all Americans must confront three uncomfortable truths:

1. The federal government often fails to deliver on its objectives, even those few constitutionally enumerated legitimate functions, while weighing down the economy with regulations that prevent market and nongovernmental actors from addressing major social and economic problems.
2. US economic growth, while stronger than much of the rest of the developed world, has been significantly lower in the past 25 years than the quarter-century beforehand, reducing American living standards below what they could have been.
3. Government debt, already historically high, is set to explode to unprecedented levels on policy autopilot over the next three decades, risking some combination of high inflation, slower growth, and federal default.

These three challenges were either worsened or created by the growth and metastasis of an unwieldy federal government and its associated administrative state. The government tries to do too much, so it overspends and overregulates the private sector. The federal government tries to be all things to all Americans—regulator, taxman, protector of individual rights, and Santa Claus—and ends up fulfilling very few of its roles, at a catastrophic cost to the life, liberty, private property, and prosperity of Americans.

DOGE's focus on reversing a decades-long power grab by regulatory agencies that has strangled American businesses, shackled consumers, raised the costs of innovation, and imposed an intolerable bureaucratic burden on all Americans is welcome.

Many federal government actions work at cross purposes. Washington taxes Americans heavily, preventing many from saving adequately for retirement while simultaneously creating tax incentives to encourage private retirement savings elsewhere and spending trillions more to unnecessarily support well-off retirees. It weighs down public servants with arcane human resources–inspired rules infused with divisive diversity, equity, and inclusion (DEI) principles, driving away talented and patriotic Americans who want to make their government work well, or at least less badly. It simultaneously subsidizes drug and vaccine development while disincentivizing their availability through onerous regulatory burdens that fill invisible graveyards. It subsidizes government-connected farmers by reducing the price of water and encouraging the production of some crops while concurrently paying farmers to grow less and taxing Americans to protect politically favored farmers. It subsidizes the construction of infrastructure that must conform to sclerotic regulatory requirements and Buy American regulations that raise the costs, delay construction, and derail completion. These are just some of a legion of examples of how a huge federal government with many objectives breeds inefficiency.

President-elect Trump said that DOGE, headed by entrepreneurs Elon Musk and Vivek Ramaswamy, "will become, potentially, 'The Manhattan Project' of our time," but that understates the magnitude of the challenge. If reforming the federal government and reducing its burden on Americans were as *simple* as turning the theoretical insights of nuclear physics into a functional atomic bomb, it would have been done already. DOGE faces an even higher hurdle—the government itself. The government is a blunt instrument that tries to fix complex problems. By its very nature, it creates incentives for policymakers, public servants, and their cronies that all conspire against the allocation of scarce taxpayer resources to the production of the most highly valued public goods and, instead, channels them toward politically favored projects that shouldn't be contemplated in the first place.

This problem is systemic and inherent to the government. Even the Government Accountability Office acknowledges that. It regularly documents extensive waste, fraud, and corruption across government programs and their poor results, even when they are relatively well implemented. In all these cases and more, real government efficiencies will only emerge from taxing less, regulating less, and doing less with an emphasis on supplying essential public goods at a low cost. Large parts of the government cannot be reformed. They must be eliminated.

That's why DOGE shouldn't limit itself to making the delivery of existing government services more efficient. Supplying more destructive government programs at a lower cost is nonsensical and counterproductive. Delivering more muscular DEI initiatives or more efficiently targeted transfer payments via near-insolvent entitlement programs, for instance, would counter DOGE's intent. In President-elect Trump's words, DOGE's goals are to "dismantle Government Bureaucracy, slash excess regulations, cut wasteful expenditures, and restructure Federal Agencies." DOGE should view itself as an entrepreneurial pressure agent for eradicating all existing *government-created inefficiencies* across the American economy and society. This means a much smaller government.

Congress and the president must ultimately shrink the economy- and society-wide inefficiencies identified by DOGE. That outcome can be aided by DOGE bringing entrepreneurial, intellectual, and political energy to bear on popularizing this mission in conjunction with the Office of Management and Budget, other public servants, policymakers, and think tanks that want DOGE to succeed. In that spirit of cooperation, the Cato Institute's submission of policy reform ideas to the DOGE is grounded in clear principles designed to enhance the liberties and prosperity of Americans:

- **Constitutionally limited government:** The federal government should only undertake constitutionally enumerated actions. Limiting government to these core functions will focus its attention and, more importantly, enable individuals, families, businesses, and state and local governments to provide solutions to economic and social problems.
- **Reduced regulation:** The existing rules and regulations overseen by the administrative state hold back economic growth with few benefits. The number of regulations and their burden should be reduced as much as possible. To make that deregulation stick, we need to reform the processes that make the ongoing growth of the regulatory state possible. New and emerging technologies should be permitted to develop and thrive, and existing price, entry, social, labor, medical, antitrust, environmental, and other controls should be eliminated or significantly revised.
- **A smaller and more effective bureaucracy:** American taxpayers, and their dollars, deserve respect. That means eliminating unnecessary duplication of bureaucracy, installing cutting-edge technologies to reduce overhead, creating a truly meritocratic and accountable civil service, and preventing the growth of unnecessary government.
- **Executive orders:** The federal government is increasingly characterized by a strong president wielding powers through executive orders and other directives that are occasionally overseen by the judiciary. This trend in American governance is lamentable, in general, but it also means the president has enormous power to roll back expensive and destructive rules, regulations, and orders issued by earlier presidents that are contrary to the efficient functioning of the economy, the protection of individual rights, and, in many cases, the limited, proper functions of the government itself.
- **Reduce government spending to make government solvent and reduce economic distortions:** Averting a fiscal crisis will require significant reductions to government spending, especially runaway entitlement programs like Social Security and Medicare. Additionally, reducing spending in most instances will increase economic efficiency because most government programs distort economic activity.
- **Tax efficiency:** The federal government should raise revenue to fund its legitimate functions

as economically efficiently as possible. That means a simple tax code with broad base taxes, low rates, and no special interest deductions, which would provide good incentives for work, saving, and investment.

The Cato Institute's submission to DOGE translates those principles into concrete policy reforms on a wide range of issues. Extending the Manhattan Project metaphor, it contains the theoretical and empirical work necessary to build the device that will help bring the federal government closer to its appropriate size. Still, it is ultimately up to DOGE and federal policymakers to construct it. With the principles spelled out above and the specific policy reform ideas laid out below, DOGE will have the knowledge and tools to finally liberate the American economy and society from an overly bureaucratic and inefficient federal government.

BUREAUCRACY AND THE ADMINISTRATIVE STATE

Reform the Federal Bureaucracy

The federal government has a vast and sprawling bureaucracy. There are 2.3 million executive branch civilian employees with an estimated compensation totaling $403 billion in 2025. Of these workers, 800,000 are in the Pentagon, and 1.5 million are spread throughout hundreds of other agencies. The US Postal Service employs an additional 550,000 workers.

Data from the Bureau of Economic Analysis show that the average federal civilian worker made $157,000 in wages and benefits in 2023, much higher than the average US private-sector wages and benefits of $94,000. Lucrative compensation and high job security induce federal employees to stay in their jobs for decades, which can create a sclerotic culture infected with groupthink. Bureau of Labor Statistics data show that the quit rate in the federal government is just one-quarter the rate in the private sector.

Federal employees are rarely fired. They are terminated for poor performance and misconduct at just one-sixth the rate of private-sector workers. For the federal senior executive service, the firing rate is just one-twentieth the rate of corporate CEOs. Current civil service protections make removing underperforming workers very difficult.

Surveys of federal workers find that most agencies take insufficient action to deal with poorly performing employees. Supervisors are reluctant to initiate disciplinary actions because of bureaucratic hoops. A Merit Systems Protections Board report found that just 41 percent of federal supervisors felt that they could remove an employee for serious misconduct, and only 26 percent thought that a poor performer could be removed.

One-quarter of federal workers are members of unions, but ideally, none would be. President Franklin Roosevelt wrote in 1937 that "the process of collective bargaining, as usually understood, cannot be transplanted into the public service. It has its distinct and insurmountable limitations when applied to public personnel management." At the very least, taxpayers should not have to pay for federal employees conducting union activities on work time.

There is no reason why federal employees should be an elite island of highly paid workers immune from the performance requirements typical of workers in the private sector. The great majority of Americans think that the federal government is wasteful, corrupt, and incompetent. Curbing excessive compensation and job protections for federal workers could help change that perception.

The federal government should do the following:

- Reduce employee benefits. Federal employees are paid 17 percent more than similar private-sector workers in total compensation, including 47 percent more in benefits. Federal employees receive post-employment health benefits and both defined-benefit and defined-contribution pension plans. Cutting overall compensation by 10 percent would save about $40 billion a year.
- Downsize federal employment. Cutting the number of employees by 10 percent would save about $40 billion a year.
- Limit federal unions. In his first term, President Trump signed executive order (EO) 13837, which limited the share of work hours that federal workers can use for union activities to 25 percent and disallowed using such time to lobby Congress. He also signed EO 13836, which aimed to renegotiate collective bargaining agreements to reduce costs and improve transparency. President Biden repealed these Trump EOs, but Trump should reinstate them.
- Ease employee terminations. To increase efficiency, it should be easier to remove poorly performing workers. President Trump signed EO 13839 in 2018 to streamline the process of firing poorly performing workers and those engaged in misconduct. This EO should be reinstated.
- Increase accountability. Federal workers must implement official policies without regard to their

personal opinions. President Trump signed EO 13957 in 2020 to streamline hiring and removal processes for policy positions to enhance adherence to presidential priorities while maintaining a merit-based system. President Biden repealed it, and an Office of Management and Budget (OMB) rule adopted in 2024 further rejected the EO's goals. The Trump EO should be reinstated and OMB rules adjusted.

- End affirmative action in federal hiring and contracting. EOs from the Lyndon B. Johnson and Richard Nixon administrations mandated affirmative action for federal hiring and contracting. Those EOs should be amended to strike any requirement for affirmative action; specifically, prohibit affirmative action in federal hiring, redefine discrimination as intentional actions against an individual, and ban all statistical measures of discrimination or other disparate impact analyses in federal hiring and contracting.

Privatize or Transfer Federal Businesses and Assets

The federal government owns and operates many businesses, including the US Postal Service (USPS), Amtrak, the Tennessee Valley Authority (TVA), and the air traffic control (ATC) system. Federally owned businesses variously receive spending subsidies, tax exemptions, monopoly privileges, subsidized borrowing, and other benefits. However, if federal business activities could be self-supported by customer revenues, they should be moved to the private sector. The federal government should revive privatization, asset sales, and asset transfers to the states.

Privatization would improve efficiency by separating economic decisions from politics, improve management, allow prices to adjust more freely, improve the allocation of capital, and allow for more innovation.

Businesses are not the only assets that should be privatized. The federal government owns 28 percent of the land in the United States, including almost half of the land in the 11 westernmost states. Top-down federal regulations on land have frustrated Westerners. Much if not all of that land should be sold. The federal government also owns or leases almost 300,000 buildings, including offices, warehouses, and health facilities, and almost 600,000 structures, including parking lots, bridges, and military assets. The Government Accountability Office (GAO) has long had federal property management on its "high risk" list for waste and found that many assets are deteriorating.

The market value of federal buildings and structures is unknown but likely in the trillions of dollars. Many buildings are underutilized, particularly in the wake of the 2020 pandemic, with many federal employees now working remotely. Many federal assets would add more value to the economy in the private sector and should be sold, but the GAO noted that "the process for disposing of federal assets remains complex."

A President Ronald Reagan–appointed commission issued a 1988 report highlighting privatization opportunities, but few reforms were enacted. President Bill Clinton and a Republican Congress did privatize a few businesses and assets in the 1990s. The Barack Obama administration proposed privatizing the TVA, and it pursued sales of excess buildings. The first Trump administration supported privatizing the USPS and the ATC system, but those reforms stalled in Congress.

The federal government should do the following:

- Privatize Amtrak. Federal subsidies of more than $3 billion a year keep Amtrak and its high-cost workforce afloat. Amtrak's on-time record is poor, and its trains take longer than buses on many routes. While some routes in the Northeast earn operating profits, most routes lose money and do not make environmental sense compared to buses or planes. Privatizing Amtrak would allow the company to cut inefficient routes and focus investment on the routes with the highest demand.

- Privatize the USPS. The USPS is a huge enterprise with 550,000 employees. It does not pay taxes, and it occasionally receives subsidies, including $10 billion during the pandemic in 2020 and $3 billion for purchasing electric vehicles in 2022.
- Privatize the ATC system. America's ATC system faces huge challenges. ATC is a high-tech industry, but our system is trapped inside a government bureaucracy. Our system has outdated technology and is struggling to handle rising aviation demand. Policymakers should revive the plan considered during the first Trump administration to privatize the ATC system as an independent, self-funded, nonprofit corporation.
- Privatize the TVA. The federally owned TVA is a massive relic of the New Deal. In recent decades, it has been known for its poor environmental stewardship. Nearly all large electric utilities in the nation are for-profit corporations. Privatizing the TVA would level the playing field and raise tens of billions of dollars.
- Privatize the Power Marketing Administrations (PMAs). The federal government owns the Bonneville Power Administration, the Southeastern Power Administration, the Southwestern Power Administration, and the Western Area Power Administration. These utilities transmit wholesale electricity in 33 states. President Reagan proposed privatizing the PMAs, and President Clinton was able to sell the Alaska Power Administration. Policymakers should dust off these reform plans and finish the job.
- Transfer Bureau of Land Management (BLM) lands to the states. The complex trade-offs needed on the vast BLM lands should be made by Westerners, not bureaucracies in Washington, DC. As the American population moved West in the 19th century, federal lands in most states were handed over to state governments and the private sector. Vast lands in Illinois and Missouri, for example, were transferred to those states when they gained statehood. Westerners should gain ownership of more of the lands within their borders. When appropriate, some BLM lands should be sold to individuals, businesses, and nonprofit groups.
- Transfer parks to the states. The National Park Service oversees more than 400 parks and national monuments, but park service facilities have long suffered from underinvestment and poor maintenance. For many less popular parks, most visitors come from within the state, so it makes sense to transfer these parks to state governments. Some parks and monuments could be transferred to private nonprofit groups, akin to the group that manages Mount Vernon in Virginia.
- Transfer water infrastructure to the states. The Bureau of Reclamation owns vast water infrastructure in the Western states, including dams and canals. The agency has historically underpriced irrigation water, which has led to excess consumption in the arid regions of the West. Because water has become such a contentious issue in many places, the federal government should hand over infrastructure to the states for local democratic control.
- Sell excess buildings and structures. Selling excess federal assets would put them into more productive private uses, thus boosting efficiency in the economy. Sales would reap a short-term revenue gain for the government and broaden the property and income tax bases. Policymakers should speed the lengthy and convoluted processes for agencies to unload little-used buildings and structures.

End Federal DEI and the Collection of Race and Ethnicity Data

The federal government collects too much data on the race and ethnicity of Americans. Over the centuries, the federal government has invented new racial and ethnic categories, such as the recently concocted Middle Eastern or North African (MENA) category that will be included in the forthcoming Census, the reformatted Hispanic or Latino ethnic category, the Asian category, and others that are inconsistent with individual preferences and personal self-identities. These new racial or ethnic categories encourage lobbying for government-directed benefits and punishments based on race, sometimes to the detriment of the intended beneficiaries and often to the detriment of others via diversity, equity, and inclusion (DEI) initiatives, discrimination, and affirmative action. Others use new government-created races and ethnicities to justify additional government interventions that infringe on the life, liberty, and private property of Americans. Private organizations often bow to federal pressure or follow the government's lead in using federal racial and ethnic categorization for questionnaires, surveys, and other purposes—exacerbating divisions. Race-and-ethnicity based government interventions would be more difficult or impossible without comprehensive government data.

The federal government should do the following:

- Halt the Office of Management and Budget's (OMB's) creation of the new MENA race category for the next Census and other government surveys, forms, reporting, and record keeping.
- Halt and reverse other changes to government racial categories recently approved by the OMB.
- Only where absolutely necessary rely on self-reported ancestry or country of birth information rather than the government-created racial categories.
- Guarantee that it will not collect data on religion.
- Ideally, end all federal collection of race and ethnicity data for the Census and other federal purposes, with the possible exceptions for identification purposes on passports and other official documents, and then based solely on the individual's self-identification.

End Government Interference with Online Speech

Despite the First Amendment, the federal government has made significant attempts to influence various matters of speech, particularly speech hosted by online platforms. While the First Amendment protects against direct regulation of speech, the government has attempted to justify its interference by appealing to the need for research, national security, or safety.

Various elements of the government have funded research into misinformation and related topics. One of the most notable is the National Science Foundation (NSF), especially its Track F program. NSF-backed counter-misinformation research has waded into highly politicized cultural issues, such as crime, self-defense, civil unrest, race, and bias in the mainstream media. Similarly, the State Department, through its Global Engagement Center and the National Endowment for Democracy, funded the Global Disinformation Index (GDI), which created advertising blacklists. The British GDI labeled prominent American news organizations, such as the *New York Post*, *Real Clear Politics*, and *Reason*, as being the riskiest news outlets, which harmed their advertising revenue. The GDI believed these organizations were uniquely biased, didn't fact-check or police misinformation, or that certain views on major cultural issues like gender identity were harmful misinformation. These incidents expose the inherent risk of bias in misinformation research and support the worrying and increasingly accepted narrative that the government should take action to stop false or misleading information.

Furthermore, the Twitter Files and other investigations by reporters and Congress revealed significant and secretive government pressure against social media companies regarding content moderation. While such communications are often relatively benign, the sheer scale of demands can be daunting, especially when paired with other more aggressive public and private demands. Leaders of companies in some cases felt like they had little choice but to change their policies to avoid retribution from the government. If unchecked, this phenomenon, also known as jawboning, is effectively censoring Americans' speech by proxy through the pressure the government puts on private companies and platforms.

Congress and the president should do the following:

- Cease all federal government grants and contracts regarding misinformation, disinformation, or malinformation research, labeling, or other efforts to counter Americans' protected speech. This restriction should in no way infringe on the ability of private organizations to spend private money on such topics.
- Require transparency in government requests of private organizations regarding whether to carry or how to moderate Americans' speech. To prevent government abuse through secretive demands of private companies, all government requests of companies should be compiled and reported publicly, subject to relevant Freedom of Information Act and Privacy Act redactions.

REGULATION

Regulatory Reform: An Overview

Federal regulation imposes financial costs on Americans and impedes business efforts to address changing consumer demands and adjust to market conditions. Past repeals of whole swaths of regulation have improved public welfare even though these rules were adopted in the name of strengthening competition, enhancing consumer safety, improving environmental quality, or some other public goal. Similar improvement would follow a new round of deregulation that targets rules with high costs and little benefit.

Federal bureaucrats are often criticized for the cost and complexity of regulation. But in writing and enforcing these rules, they are only fulfilling obligations written into law by Congress and enforced by the courts. Worse, Congress often requires bureaucrats to make policy "tradeoffs" because lawmakers don't want the political risk of making those decisions themselves. Indeed, bureaucrats often are slow to issue especially costly regulations for fear of public and political backlash, until they are spurred to do so by judicial action.

In recent years, regulatory reform advocates have offered proposals to mandate that bureaucrats *reduce* the regulatory burden. Among these are ideas such as increasing the use and rigor of cost–benefit analysis, capping the overall number of regulations or their aggregate compliance costs, and ad hoc, temporary suspensions of specific rules to boost economic activity or experiment with alternative regulatory schemes. As meritorious as these ideas might seem, their benefits are limited, if not outright nonexistent. History shows that regulatory analysis—no matter how rigorous—has little effect on blocking politically favored rules or advancing politically disfavored ones, regardless of the ratio of costs to benefits. Recent history also shows politics will overcome caps on the number or costs of regulation.

There is more promise in proposals to give Congress greater ability to review, block, and repeal regulations. Though Congress can rewrite statutes mandating rulemaking, it is often difficult to unwind the political consensus and logrolling that got the original legislative packages adopted. One way to overcome this difficulty, at least in some cases, is to require Congress to approve the *resulting regulation*; the proposed Regulations of the Executive in Need of Scrutiny (REINS) Act would require congressional approval of any new major regulation via an expedited process. Another way to overcome this difficulty is for each statute authorizing rulemaking to include a "sunset" clause—a provision that the statute expires after a period of time unless Congress reauthorizes it. Such initiatives have been used at the state level with some success. However, as demonstrated by the infrequent use of an earlier regulatory reform measure, the Congressional Review Act, political factors must align for these powers to be exercised.

The best policy would be for Congress to curtail issuing these rulemaking mandates to begin with, to take responsibility for their content, and to repeal or rewrite current legislation containing them. The president can play an important leadership role in this by advancing an agenda of rules for lawmakers to reform and by providing guidance for bureaucrats on how to fulfill Congress's many mandates.

Toward that end, Congress should do the following:

- Require that Congress approve all new major regulations.
- Include "sunset" provisions on delegations of rulemaking authority to federal agencies.
- Carefully limit rulemaking authority when it is delegated to federal agencies.

The president should do the following:

- Direct agencies to reject proposed rules and reform existing rules with large net costs, regardless of the president's policy preferences.
- Set a priority agenda of current rules with high net costs that agencies should reform.

Deregulate Financial Markets

US financial markets have too many regulations and too many regulators. The regulations protect incumbent firms, exacerbate instability, and inflate costs.

Financial markets participants are subject to a complex regulatory structure that is enforced by, among others, the Federal Trade Commission, the Securities and Exchange Commission, the Federal Reserve, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration, and the Federal Housing Finance Agency, which oversees Fannie Mae and Freddie Mac. Those agencies, and others, should be consolidated, and layers of redundant regulation and uncertainty for market participants should be removed. Doing so would improve the economic performance of both financial and nonfinancial firms.

The federal government should do the following:

- Repeal the Dodd–Frank Act, or at a minimum, reform Titles I, II, VIII, and X of the act.
- Repeal the Community Reinvestment Act of 1977.
- Repeal all legislation and regulations that mandate public disclosure related to the purchase and sale of securities, and if *necessary*, replace those laws and regulations with disclosure requirements.
- Support initial public offerings by limiting disclosure obligations.
- Open all private offerings to investment from any investor regardless of wealth.
- Create a *de minimis* exemption for any private offering of less than $500,000.
- Eliminate the Exchange Stabilization Fund.
- Revise the Bank Secrecy Act to apply Fourth Amendment protections to financial records.
- Prohibit the Federal Reserve and Treasury Department from creating a central bank digital currency.
- Create regulatory clarity for cryptocurrencies, clear rules for cryptocurrency marketplaces, and allow cryptocurrency innovation.
- Restructure the Federal Reserve to focus only on monetary policy and only on regulating community banks.
- Eliminate the Consumer Financial Protection Bureau and move its core consumer regulatory functions to the Federal Trade Commission.
- Restructure the FDIC to focus only on deposit insurance and resolving failed federal financial institutions.
- Eliminate the National Credit Union Administration and move all regulatory responsibility for large federally chartered depository institutions and noncapital market financial institutions to the Office of the Comptroller of the Currency.
- Consolidate regulatory responsibilities of the Securities and Exchange Commission and the Commodity Futures Trading Commission into one capital markets regulator.
- Wind down Fannie Mae and Freddie Mac without establishing a new mortgage guarantee and move their resolution authority to the FDIC.
- Eliminate the Federal Housing Finance Agency.
- Eliminate the Office of Financial Research and the Financial Stability Oversight Council.

Remove Energy Regulations and Subsidies

American energy production is smothered by excessive regulation that goes far beyond that necessary to deal with quantifiable harms. The sector is also severely distorted by inefficient subsidies and other forms of corporate welfare. Shorn of regulation and liberated from subsidies, a healthy, competitive, and free market in energy will lower prices by expanding domestic energy production.

Prime targets for reducing bureaucracy and unnecessary federal involvement in energy markets include the Department of the Interior (DOI), the Department of Energy (DOE), the Environmental Protection Agency, the Nuclear Regulatory Commission (NRC), the Federal Energy Regulatory Commission (FERC), and the Department of the Treasury because it administers energy tax credits.

Congress should do the following:

- Abolish the DOE, transfer the nuclear weapons program to a national nuclear weapons agency under the direction of a civilian official in the Department of Defense, and privatize the national laboratories.
- Abolish the NRC and allow states to fill the void if they so choose.
- Repeal the Federal Power Act of 1935 and abolish the FERC.
- Repeal the Public Utility Regulatory Policy Act of 1978.
- Repeal the Energy Policy Act of 2005.
- Repeal the Inflation Reduction Act (IRA), especially the energy subsidies.
- Return to taxpayers all grants issued pursuant to the IRA.
- End the national energy policy of net zero by 2050.
- Unravel the Renewable Fuels Standard and other federal biofuel programs.

The president should do the following:

- Immediately limit the payout of energy subsidies in the IRA by tightening IRS guidance.
- Cancel subsidies to all energy technologies, including research and development subsidies to renewable energy and nuclear power.
- Ensure DOI and other agencies allow for domestic energy production and related commodities, such as critical minerals.
- Withdraw from the Paris Climate Agreement.
- Nominate a FERC chair who will 1) prioritize electric grid reliability and affordability and 2) reverse costly transmission expansion rules like Order No. 1920.
- Nominate an NRC chair who will remove regulatory barriers to nuclear energy deployment.
- Encourage states to allow novel ways to supply electricity, including through private grids.
- Urge states to repeal costly technology-specific mandates, including for offshore wind.
- Lift the "pause" on exports of liquefied natural gas.
- Stop discriminating against unconventional energy uses (such as Bitcoin mining) and energy resources.
- Prevent agencies with no energy jurisdiction, such as the Securities and Exchange Commission, from engaging in energy or climate regulation.
- Reject carbon taxes styled as greenhouse gas–based tariffs.
- Clarify that subsidies cannot form the basis for EPA regulations.
- Resist pressure from green groups to rapidly expand the electric transmission grid.
- Repeal the several statutes that created the energy-efficiency regulations administered by the DOE.
- Amend the Clean Water Act and other statutes to allow entrepreneurs to supply American shale gas to regions that demand it, including New England.
- Auction off and shut down the Strategic Petroleum Reserve.

Reverse Environmental Overregulation

Regulatory scope creep has increased the cost and invasiveness of environmental regulation in the United States. Rules promulgated under the Clean Air Act and Clean Water Act began with the laudable goal of protecting human health but have become expensive regulations that impose barriers to economic growth and prosperity with vanishingly small benefits for human health. Furthermore, environmental statutes have been inappropriately co-opted to address climate concerns without clear authority from Congress.

The federal government should remove unnecessary regulatory barriers and enable Americans to fully harness the nation's energy potential. Where government intervention is warranted, the focus should be on cost-effective and economically efficient measures to address tangible environmental harms.

Congress should revise existing legislation to rein in expensive and burdensome environmental regulations by doing the following:

- Repeal the National Environmental Policy Act of 1969 or, at a minimum, reform the law to limit legal standing for activist nongovernmental organizations, restrict the scope of review to each agency's statutory duties (e.g., the Federal Energy Regulatory Commission [FERC], if it is not dissolved, should not be a climate regulator), establish a reasonable time limit for challenges, and make reforms as technology-neutral and broadly applicable as possible.
- Refocus the Environmental Protection Agency (EPA) to prioritize the regulation of interstate air pollution while devolving responsibility for localized pollution to state governments.
- Revise environmental laws to explicitly account for the costs of regulation (e.g., the Clean Air Act and National Ambient Air Quality Standards) and incorporate all scientific uncertainties.
- Repeal energy efficiency mandates, especially those that limit consumer choice or impose unnecessary costs, such as lightbulb efficiency standards, Corporate Average Fuel Economy, or CAFE, standards, and others.
- Require congressional approval of major rulemakings before they are enacted.
- Reject carbon border adjustments.
- End, or at least significantly curtail, the designation of Superfund sites.

The president should do the following to unleash the American energy industry and reduce energy costs by reversing the costliest Biden-era regulations:

- Remand the EPA's Clean Power Plan 2.0 because of its significant flaws and lack of transparent cost–benefit analysis.
- Repeal the Biden administration's vehicle tailpipe emissions, a labor union giveaway that effectively imposes an electric vehicle mandate.
- Revise the EPA's estimate of the social cost of greenhouse gases to better account for uncertainty and nonscientific assumptions, such as the discount rate.
- Revoke climate-related executive orders (EOs) and reinstate EO 12866 in full.
- Withdraw from the Paris Climate Agreement, rescind all executive orders and agency rules tied to it (including Federal Acquisition Rules), and repeal regulations connected to "Net Zero."
- If FERC is not dissolved, nominate a FERC chairman committed to swiftly approving new natural gas pipelines.

Slash Federal Health Care Regulation

Individuals have a right to self-medicate, choose their health care providers, and choose whether and how to pool medical expenses with others. When the government respects these rights, health care becomes more universal as a matter of course. Prices fall, owing to market innovation and competition. Quality improves as new treatments and insurance designs make health care better and more secure. The Food and Drug Administration (FDA), the Center for Consumer Information and Insurance Oversight (CCIIO), and other federal and state agencies violate these fundamental human rights.

The results are higher prices and lower quality health care (i.e., less-universal health care). The FDA blocks access to essential medicines and requires patients to get unnecessary prescriptions. Cost–benefit analyses consistently find that, at the margin, FDA regulation on balance *harms* patient health. The CCIIO enforces regulations that increase insurance premiums and ration care until, as President Biden's economic adviser Michael Geruso admits, even "currently healthy consumers cannot be adequately insured." State licensing regulations block patients from accessing top doctors across the country.

The reforms below would cause prices to fall while improving quality—making health care progressively more universal by reducing the number of people who cannot afford the care they need. (The Medicaid/Children's Health Insurance Program reforms in the Reduce Federal Health Spending section would give states flexibility to address the unmet medical needs that remain.)

The federal government should do the following:

- Abolish the FDA, including its powers to block new medical tests, devices, and treatments from the market; to require patients to obtain prescriptions; and to limit truthful speech.
- Regardless of the fate of the FDA, free patients to purchase medical tests, devices, and treatments that are available in other advanced nations.
- Use the Commerce Clause to free consumers to obtain health services from clinicians who hold licenses in other states and US territories.
- Use the Commerce Clause to free consumers and employers to purchase health insurance from other states and US territories.
- Repeal what's left of the Patient Protection and Affordable Care Act of 2010 (i.e., Obamacare) and other federal laws that restrict health insurance choice.
- Free consumers and employers to purchase health insurance exempt from federal regulations, by
  - creating a new category of statutorily exempt health insurance;
  - codifying President Trump's 2018 rule regarding "short-term" health plans; and
  - codifying President Obama's 2014 guidance exempting US territories from Obamacare regulations (and then freeing consumers and employers to purchase insurance from US territories).

Deregulate Childcare

The government regulates and subsidizes childcare, which has the net effect of reducing childcare supply, increasing the market price of care, and encouraging provisions ill-suited to many families' needs. Rather than persist with this failed approach, policymakers should focus on repealing regressive regulations that drive up costs and reduce care availability, including staff–child ratios, staff educational requirements, occupational licensing, and zoning restrictions.

Increasing childcare supply would reduce costs for many families with children and may even increase American fertility. At a minimum, it would ensure that American families have more childcare options to suit their needs.

The federal government should do the following:

- Revoke Biden's childcare executive order.
- Eliminate the Child and Dependent Care Tax Credit.
- Eliminate CHIPS and Science Act requirements for recipients to supply childcare services.
- Abandon Biden's new au pair regulation.
- Liberalize restrictions on visa categories used by people who provide childcare by removing the J-1 au pair age limit and English proficiency requirements, allowing more choice in au pair housing arrangements, increasing flexibility in the program for au pairs and host families, and expanding other visa programs used by care providers.
- Allow au pairs to stay beyond the two-year limit and allow them to provide elder care.
- Remove the Early Head Start requirement that staff have a Child Development Associate credential and be trained in child development.
- Remove the Head Start requirement that half of teachers must have at least an associate degree in early childhood education or a related field.
- Eliminate the Child Care Development Fund.

Repeal the Jones Act and Similar Laws

The federal government should repeal maritime laws such as the Jones Act, the Foreign Dredge Act, and the Passenger Vessel Services Act. Short of that, it should significantly reform those laws.

The Jones Act, formally known as Section 27 of the Merchant Marine Act of 1920, restricts intra-US waterborne transport to vessels built and registered in the United States. Ships that comply with the law are four to five times more expensive to build and approximately three times more expensive to operate than internationally flagged vessels, thus dramatically raising the cost of domestic transportation.

Americans have responded to these high costs by largely abandoning water as a transport mode (less than 4 percent of domestic freight moved in 2023) and substituting domestic goods with imported products able to take advantage of efficient international shipping. For example, California is set to begin importing fuel from as far away as the Netherlands and Singapore instead of Texas due to the high cost of Jones Act–compliant shipping (a similar dynamic exists on the East Coast). In some cases, it is *impossible* to move goods within the United States, such as liquefied natural gas from Louisiana to Puerto Rico, due to a complete lack of appropriate Jones Act–compliant shipping. The Jones Act is an internal trade barrier that harms Americans' ability to trade and do business with each other.

The Foreign Dredge Act and Passenger Vessel Services Act have produced comparably dismal results. The Foreign

Dredge Act increases the cost of dredging US ports and waterways by prohibiting more efficient international firms from entering the market. Meanwhile, in the case of the Passenger Vessel Services Act, only one large ship (800-plus passengers) complies with the law. As a result, the act curtails US tourism by forbidding 99 percent of the world's cruise ships from offering purely domestic itineraries.

The federal government should do the following:

- Repeal the Jones Act, the Foreign Dredge Act, and the Passenger Vessel Services Act.

If these three acts are not repealed outright, enact the following reforms that would reduce the costs of those laws (ordered by magnitude of impact):

- Eliminate the US-built requirement, thus bringing US maritime cabotage laws into line with those governing domestic cabotage for trucking and aviation that allow the use of foreign-built vehicles. To address possible concerns about China, this could be restricted to vessels constructed in countries that have mutual defense agreements with the United States.
- Exempt the noncontiguous states and territories of Alaska, Guam, Hawaii, and Puerto Rico from the Jones Act and other maritime cabotage laws. As with the build requirement, this could be limited to shipping from allied countries.
- Relax current waiver requirements to allow the use of internationally flagged and built vessels based on purely economic need (current waivers must be justified on national security grounds) if no Jones Act–compliant vessel is available.
- Allow non–Jones Act vessels to engage in international cargo relay, transporting goods that originate from abroad or are ultimately destined for export between smaller and larger ports as part of a hub-and-spoke model.
- Permit dredging companies from allied countries to offer their services in the US market.
- Exempt all large cruise ships (those with over 800 passengers) from the Passenger Vessel Services Act.

SPENDING CUTS AND TAX REFORMS

Shrink Social Security

Social Security is not a savings system but a pay-as-you-go scheme, where taxes collected from today's workers fund the benefits of today's beneficiaries. This makes Social Security susceptible to adverse demographic shifts, as its financial stability relies on a favorable worker-to-beneficiary ratio. In essence, the program operates like a Ponzi scheme: Paying benefits promised to earlier generations depends on new revenues from current and future workers. With an aging population, the worker-to-beneficiary ratio has been decreasing, making Social Security's finances increasingly unsustainable and placing a growing fiscal burden on workers. According to the Congressional Budget Office (CBO), the payroll tax would need to immediately increase by 4.3 percentage points, from 12.4 percent to 16.7 percent, to cover the program's long-term funding shortfall. This means an additional $2,600 in annual payroll taxes for a median earner ($61,000 annually), bringing their total payroll tax burden to more than $10,000 each year.

Furthermore, older generations tend to be wealthier than the younger generations paying for their Social Security benefits. This creates a system in which the federal government effectively redistributes hard-earned dollars from poorer workers to wealthier retirees. Notably, high-earning retirees can receive up to $60,000 in Social Security benefits annually, regardless of their other income and assets. Moreover, an excessively expensive Social Security system discourages private savings and offers poor returns for most workers, who would be better off investing their payroll taxes in stocks and bonds through private accounts.

Beyond these issues, Social Security is a significant contributor to the US fiscal imbalance. Old Age and Survivors Insurance (OASI)—the largest federal program—spent more than $1.2 trillion in 2023 but collected only $1.1 trillion in revenues, covering the $130 billion shortfall by relying on new borrowing from redeeming the Treasury IOUs in the so-called Social Security trust fund. These are not real savings. Every dollar that Social Security spends in excess of incoming payroll taxes and taxes on benefits adds to the federal debt. Since 2010, the OASI program has added $1.08 trillion to the federal debt and is projected to add $4.1 trillion more by 2033, when the program runs out of borrowing authority and confronts a 21 percent shortfall.

One cannot make significant headway balancing the federal budget without reforms to Social Security. Those reforms should focus on eliminating its fiscal shortfall and reducing the payroll tax burden on workers by slowing the growth in future benefits and reducing benefits for wealthier retirees.

The federal government should reform Social Security by doing the following:

- Slow the growth in future benefits. Under the current system, initial benefits are adjusted based on wage growth, which typically outpaces inflation. This causes initial Social Security benefits to rise faster than necessary to maintain purchasing power, providing absolute benefit increases to newer cohorts. Switching to a formula that indexes initial benefits to prices would preserve current benefits and protect their purchasing power while eliminating 85 percent of the program's long-term funding shortfall.
- Modernize and reduce cost-of-living adjustments (COLAs). The Social Security Administration should replace the outdated Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) with the chained Consumer Price Index for All Urban Consumers (C-CPI-U) for calculating COLAs. This index covers a broader share of Americans and factors in the substitution effect, in which consumers opt for cheaper alternatives when the prices of goods rise. The CBO estimates that this adjustment would reduce Social Security spending by $175 billion between 2024 and 2032. Congress should further consider eliminating COLAs for wealthier retirees, as was proposed in the Social Security Reform Act of 2016. This change, in addition to switching to the C-CPI-U for all other

beneficiaries, would erase 37 percent of the program's long-term actuarial deficit.

- Raise eligibility ages. To better align with longer life expectancies and declining fertility rates, Social Security's early and full retirement ages should be increased by three years each, to 65 and 70, respectively, and indexed to increases in longevity afterward. This change would enhance intergenerational fairness, distributing the fiscal burdens of an aging population across generations. The CBO has estimated that increasing the full retirement age to 70 while keeping the early retirement age unchanged would reduce Social Security's costs by $121 billion between 2024 and 2032.
- Transition to a flat benefit scheme. Social Security should return to its intended mission of alleviating old-age poverty. By transforming Social Security from an earnings-related scheme intended to replace income into a flat benefit scheme focused on poverty prevention, the government can focus income support on those individuals who need financial help the most while allowing most Americans to save for more of their personal retirement security in ways they deem best. Shifting to a predictable flat benefit based on years worked would return Social Security to its stated goal of preventing senior poverty and should reduce the program's costs, thereby reducing the payroll tax burden on workers.

Slash Tax Rates and Close Loopholes

The Tax Cuts and Jobs Act (TCJA) of 2017 simplified and cut taxes for Americans at every income level. The law boosted domestic investment, wages, and economic growth by lowering the corporate income tax rate and allowing full investment expensing. Despite these successes, more work is needed to minimize the tax code's burden on the economy. Congress will have the chance to improve the tax code further next year when the individual tax cuts and some of the most economically consequential business provisions expire.

The Cato Institute has a pro-growth, detailed tax plan that would cut tax rates to near 100-year lows and eliminate more than 50 economically distortionary tax credits, deductions, and exemptions.

Congress should do the following to cut taxes on investment, businesses, and individuals:

- Allow full expensing, which means a 100 percent first-year investment deduction for all short-lived assets and research and development.
- Allow neutral cost recovery by adjusting long-lived structures deductions for inflation and real rate of return.
- Cut the corporate income tax rate to 12 percent or lower, exempt all foreign income, and disregard foreign taxes paid as part of a fully territorial tax system.
- Repeal the Inflation Reduction Act's (IRA) corporate alternative minimum tax, or CAMT.
- Cut individual tax rates as low as possible and consolidate tax brackets.
- Cut the capital gains and dividends tax rate to 15 percent or lower. Repeal the net investment income tax and the IRA stock buyback tax.
- Create Roth-style universal savings accounts with a $10,000 annual contribution limit.
- Repeal the alternative minimum tax, or AMT.
- Repeal estate, gift, and generation-skipping taxes.

Congress should do the following to improve the tax base by repealing more than $1.4 trillion in annual tax loopholes, spending, and subsidies:

- Repeal the IRA tax credits and other subsidies for politically popular activities, including low-income housing, semiconductors, and restaurant tip reporting.

- Repeal the individual and business deductions for state and local taxes.
- Eliminate itemized deductions, shifting all taxpayers to the simpler standard deduction.
- Repeal the almost two dozen tax provisions subsidizing children and education. Short of that, they should be shrunk and simplified.
- Include all nonwage fringe benefits and government benefits in taxable income.
- Deny all interest deductions to individuals and businesses and exempt interest income from income taxes.

Reduce Federal Health Spending

The long-term federal debt problem is a health care problem. The Congressional Budget Office projects that only two categories of federal outlays will grow faster than gross domestic product (GDP): health care subsidies and interest payments on the debt. The former is therefore the primary driver of the latter.

Wasteful government health spending is rampant, because nobody spends other people's money as carefully as they spend their own. The best available data suggest that one-third of Medicare spending is pure waste (i.e., that Congress could cut Medicare spending by one-third without affecting overall health). Medicare sets and pays excessive prices for medical care. Spending on patients age 65 and up is more out of line with international norms than spending on patients below age 65. Medicare also has a large negative impact on health care quality.

Obamacare promised to make health care "affordable." In reality, ***taxpayers*** are subsidizing enrollees earning up to $600,000 per year. Biden economic adviser Michael Geruso admits that Obamacare rations care for the sick and that "currently healthy consumers cannot be adequately insured."

Pay-as-you-go funding of veterans benefits allows Congress to kick those costs into the future, which enables them to ignore the largest fiscal cost of putting US troops' lives at risk. Pre-funding and privatizing veterans benefits would force policymakers to justify those costs at the moment they are putting US lives at risk.

The House Republican Study Committee proposes to cut federal health spending 26 percent below baseline over the next decade.

The following reforms would cut federal health spending 49 percent below baseline over the same period and erase the primary deficit by 2027, even after increasing military pay $100 billion per year (to pre-fund veterans benefits). These reforms would deal a 100 percent cut to high-cost, low-quality health care providers and to the fraudulent schemes of providers and state officials. They would make health care more accessible and give states flexibility to meet the needs of patients who cannot afford the medical care they need.

The federal government should do the following:

- Cut Medicare spending by one-third; give Medicare's remaining budget directly to enrollees as cash; give poorer and sicker enrollees larger "Medicare checks" than healthier and wealthier enrollees; and allow overall Medicare spending to grow no faster than GDP.
- Adopt the Republican Study Committee proposal for Medicaid and Children's Health Insurance Program spending in 2025 and give those funds to states as unrestricted, zero-growth block grants.
- Repeal what's left of the Patient Protection and Affordable Care Act of 2010 (i.e., Obamacare), including its grants to states and subsidies to private insurance companies.
- Turn the Veterans Health Administration and its assets into a private, shareholder-owned corporation; give those $36 billion or so in shares away to current veterans; use the Department of Veterans Affairs's

existing budget to give current veterans annual, risk-adjusted subsidies sufficient to purchase private life, disability, and health insurance at actuarially fair premiums; increase military pay to enable active-duty military personnel to purchase such insurance that pays benefits once they leave active duty; have that additional military pay rise and fall automatically with those actuarially fair "veterans benefits" premiums.

Streamline National Security Spending

Including Department of Energy spending on nuclear weapons, Veterans Affairs spending, and other items, US national security spending costs more than $1 trillion per year, constituting the second- or third-largest component of federal spending by function, depending on how one counts. Recurring off-budget "emergencies" like US aid to Ukraine increase this figure. Unless a miracle happens with reforms to curb entitlement spending or an increase in economic growth, any government intent on eradicating budget deficits must put security spending on the table for cuts.

National security spending is a morass of extravagance and convolution. Massive bureaucracies ossify and contribute to national decline over time. Attempting to cut security spending by chasing the phantoms of "waste, fraud, and abuse" will not produce real change. The US military is tasked with administering vast swaths of the globe. No bureaucracy could fulfill this mission efficiently. Accordingly, efficiency should not be the goal of defense cuts. Sound strategy and fairness should be. As of 2020, the United States accounted for 63 percent of allied defense spending but only 37 percent of allied gross domestic product. Whether this is efficient or not, it reflects a transfer payment from US taxpayers to taxpayers in allied countries. Such an arrangement is unfair to present and future American taxpayers.

US foreign policy is both expensive and insolvent. The foreign-policy establishment has pursued policies that throw away America's greatest advantage: geography. Great oceans remove the United States from most military threats. As President-elect Trump once put it, when it comes to the Ukraine war, "It has a bigger impact on [Europeans], because of location, because we have an ocean in between." Viewing this great asset as a liability, US policy has put Americans on the front line in Europe, the Middle East, and Asia, rather than acting as an offshore balancer in those regions.

The National Defense Strategy Commission has argued that properly resourcing US strategy would require hundreds of billions of dollars in additional security spending per year, financed through unspecified "additional taxes and reforms to entitlement spending." However, President-elect Trump has made it clear that he does not want to increase taxes or make large cuts to entitlement programs.

Ultimately, a change of strategy is required: Americans need a military that can defend our people, not run the world. If the Trump administration chooses to change US objectives in this direction, it can save hundreds of billions each year and keep our people safer. Current US policy perversely aims at putting Americans right in the face of threats, real and imagined, across the globe. The insolvency of US defense strategy, combined with the ruin the US foreign policy elite has produced over recent decades, suggests that American ambition in the world should be reduced.

Accordingly, the federal government should do the following:

- Resume the withdrawal of US troops from Germany that began under the first Trump administration but never completed. The United States should bring those troops home and then use attrition to shrink the ground forces. The US mission in Europe costs more than $100 billion per year.
- Shrink active-duty Army end-strength by roughly 25 percent. A strategy that befits an insular maritime

republic would rely less heavily on ground forces. Allies that require large ground forces should be forced to field those forces themselves.

- Abolish the combatant commands (COCOMs). COCOMs have become costly lobbies for intervention that do little to make US forces more combat-effective. US Central Command in particular has distinguished itself in recent decades by losing wars to the Taliban and Iraqi insurgents at a cost of over $8 trillion.
- Shrink the civilian workforce at the Pentagon. The Defense Department employs nearly 800,000 civilians and recently failed its seventh consecutive audit. A military that does less and employs fewer warfighters requires less administrative bloat.

Expel the Federal Government from Higher Education

Education is rightly considered primarily a state and local issue, but in recent decades, the federal government's involvement in higher education has expanded dramatically. That should change. The federal government should be removed entirely from regulating and funding higher education.

Short of that, Congress should do the following:

- Eliminate federal financial aid programs. If that cannot be achieved, eliminate the current government-as-lender system, saving $200 billion over 10 years.
- Eliminate campus-based aid programs.
- Eliminate the Federal Supplemental Educational Opportunity Grant and reallocate funds to Pell Grants if the program can't be canceled outright, saving $900 million per year.
- Eliminate or reduce the federal contribution to Work-Study, which is currently at 20 percent, and reallocate to Pell Grants if the funding can't be canceled outright, saving up to $1.2 billion per year.
- Eliminate Teacher Education Assistance for College and Higher Education Grants, saving $66 million per year.
- Eliminate or cut the various "assistance for students" programs (e.g., TRIO, saving $1.2 billion per year; Gaining Early Awareness and Readiness for Undergraduate Programs, saving $388 million per year; Fund for the Improvement of Postsecondary Education, saving $177 million per year; and community project funding, saving $202 million per year).
- Repeal Housing and Facilities Loans (Higher Education Act, Section 121).
- Eliminate Aid for Institutional Development and related funding, saving up to $2 billion per year.
- Break the accreditation cartel by introducing alternative pathways for accreditor recognition, such as allowing an independent agency and/or a coalition of states to recognize new accreditors.
- Streamline requirements for accreditors to reduce duplication of state and federal oversight, such as relieving accreditors from monitoring facilities as states already do this.
- Eliminate science funding. If that cannot be achieved, cap the overhead percentage on research grants and contracts.
- Eliminate funding for all diversity, equity, and inclusion, or DEI-related projects in education.
- Remove all federal funding for universities that have speech codes more restrictive than the First Amendment.

Cut Federal K–12 Education Spending Down to Size

The Constitution gives the federal government specific, enumerated powers, none of which include education. Education is a matter reserved to the states or people, and all federal K–12 programs and activities that are national in scope should be eliminated. Where the feds can, ultimately, remain in K–12 education is in delivering education in Washington, DC, in federal installations and territories, and to American Indians on tribal reservations. It also has a role in civil rights enforcement under the Fourteenth Amendment, but that job should be in the US Department of Justice, not the US Department of Education's Office of Civil Rights. Finally, Impact Aid is justified for school districts adversely affected by federal activities—in particular, districts that have less property tax revenue than they otherwise would due to the presence of nontaxable federal land. *All other federal K–12 spending should end.*

If spending must be targeted one pot at a time, what follows are programs budgeted at $1 billion or more, to increase bang for the cut. But all federal K–12 initiatives, except those previously mentioned, should be ended.

Congress should do the following:

- Eliminate the Department of Education.
- Phase out Title I grants to local educational agencies. Title I takes money from taxpayers, reshuffles it to move it to lower-income areas, and burns a bunch of that money in bureaucratic waste in the process. The federal government does not have constitutional authority for such spending, and the grants are a relatively small amount of overall K–12 funding. States also have been moving toward funding equalization on their own.
- End Grants to States under the Individuals with Disabilities Education Act. While assisting students with disabilities is laudable, federal funding could encourage overdiagnosis of disabilities, and the proper federal role is to ensure that states and districts do not discriminate against children with disabilities, not to fund services.
- Eliminate the 21st Century Community Learning Centers program, which is ineffective and damaging.
- End Supporting Effective Instruction State Grants, a program that essentially provides professional development funding that districts can and do pay for.
- Get rid of Student Support and Academic Enrichment grants, which are poorly focused, redundant, and formula-funded, burning off money in bureaucratic compliance costs.
- Eliminate Career and Technical Education grant programs, which overlap secondary and postsecondary education. There is no need for federal involvement in technical education, which states, districts, and industry should handle.
- As programs are cut, so too should the budget for program administrators at the Department of Education.
- Eliminate Head Start, which "gold standard" research (random assignment) has indicated produces few lasting impacts on children by third grade, and negatives are more frequent than positives.
- Eliminate Early Head Start, which has similarly been found largely ineffective over time.

Cut Federal Subsidies

The federal government runs more than 2,400 subsidy programs, twice as many as four decades ago. The official guide to federal subsidy and benefit programs is 3,678 pages. The government has expanded into many areas that should be the responsibility of the states, businesses, charities, and individuals.

The government subsidizes agriculture, aviation, broadband, energy, food stamps, housing, manufacturing, passenger rail, student loans, and many other things. Each subsidy burdens taxpayers, generates a bureaucracy, spawns lobby groups, and generates market inefficiencies.

Individuals and businesses hooked on subsidies lose their independence and have less incentive to help themselves. The government subsidizes low-income individuals with programs such as food stamps and high-income individuals with programs such as farm subsidies. The government subsidizes many industries, which misallocates resources and stifles innovation. This is called corporate welfare or industrial policy.

The federal government should do the following to cut subsidies to individuals and businesses:

- Eliminate energy-spending subsidies. The US Department of Energy spends about $20 billion a year on applied research subsidies for renewables, fossil fuels, nuclear, and electricity, in addition to the department's basic science budget. Policymakers should end the applied research subsidies.
- End farm subsidies. Short of that, Congress should at least cut aid to wealthy farmers. About 60 percent of the subsidies from the three largest programs go to the top 10 percent of farms. Since annual farm subsidies fluctuate between about $15 billion to $30 billion per year, cutting high-end benefits would save billions of dollars annually.
- Eliminate the Supplemental Nutrition Assistance Program (SNAP). SNAP costs taxpayers more than $100 billion a year. The program—also called food stamps—is obsolete because the nutrition problem for poor Americans today is not a lack of calories but soaring obesity. If eliminating the program is infeasible, policymakers should convert SNAP to a block grant, reduce spending, and free the states from federal regulations.
- End junk food subsidies. SNAP should be eliminated outright. But one area is especially ripe for cutting: spending on junk food. Robert F. Kennedy Jr. favors cutting food stamp spending on junk food, which accounts for almost one-quarter of the program's $100 billion annual cost. Junk food subsidies make no sense. They should be ended.
- Repeal broadband subsidies. The 2021 infrastructure bill added $65 billion in broadband subsidies to more than $100 billion of past broadband subsidies since the 1990s. The Government Accountability Office reported, "Federal broadband efforts are fragmented and overlapping, with more than 100 programs administered by 15 agencies." This is all waste, as satellite internet service is now available nationwide.
- Eliminate student loan subsidies. The federal government hands out about $30 billion a year in grants to students for higher education and about $80 billion in student loans. The subsidies have boosted college and university tuition costs. Also, subsidizing future high-earning college graduates is unfair to people who work, pay taxes, and did not go to college.
- End broadcasting subsidies. The government pays $535 million a year to the Corporation for Public Broadcasting, which distributes the funds to NPR, PBS, and public radio and television stations nationwide. Government funding for media is inconsistent with America's free speech values, and any educational benefit of public broadcasting is no longer unique with the rise of vast free educational content on YouTube.
- End rural subsidies. The US Department of Agriculture spends about $8 billion a year on subsidies for rural housing, utilities, infrastructure, and business

aid. Subsidizing rural areas is unfair to urban and suburban areas of the nation, which face higher costs for housing. Congress should end rural subsidies and leave rural development to state legislatures.

- End airport subsidies. The federal government spends more than $4 billion a year on investments in commercial airports, which are owned by state and local governments. This aid is not needed. Airports have been privatized around the world, including about half of Europe's major airports. Private airports are funded by market-based revenues such as passenger fees, airline fees, and retail concessions. The federal government should end airport subsidies and encourage the states to privatize their airports.
- End semiconductor subsidies. Congress passed the CHIPs and Science Act in 2022, which provided $53 billion to the semiconductor industry. The act is a sad reversal of America's free-market leadership in high technology. Our technology industries have succeeded because of open entry, vigorous competition, venture capital, and bold entrepreneurs—not government subsidies.
- Repeal the sugar program. The federal government imposes supply controls and trade restrictions on sugar, which benefits a small group of sugar producers at the expense of consumers and other businesses. Sugar policies inflate prices, costing consumers more than $3 billion annually; induce food manufacturers to relocate abroad; and incentivize the substitution of high fructose corn syrup for sugar.
- Repeal the ethanol program. Federal policies promoting biofuels have harmed consumers, increased food prices, and caused environmental damage. Ethanol production, largely from corn, diverts resources from food production, which raises prices for livestock producers and consumers. Biofuel policies worsen carbon emissions through land-use changes and fertilizer pollution.

Cut Federal Aid to the States

The federal government intervenes in many state and local policy areas, such as education, housing, and urban transit with more than 1,300 aid-to-state programs, which are subsidies to the states accompanied by top-down regulations. These programs will cost $1.1 trillion in 2025.

This aid system produces waste and irresponsibility. It encourages excessive and misallocated state and local spending, and it reduces accountability for program failures. Aid induces the states to spend more on federally subsidized programs than state residents would favor if they directly footed the bill, and since federal aid is perceived as "free" money to state officials, they often spend it on low-value activities.

Aid programs raise costs and add bureaucracy by imposing regulations for politically driven goals in areas such as labor, environment, and diversity. Federal labor regulations tied to highway aid, for example, raise wage costs on construction projects by about 20 percent, and environmental regulations add years to the completion of projects.

The incoming Trump administration and Congress should cut state aid and allow the states to fund their own programs to match local preferences. Since state and local governments must balance their annual budgets, they make more responsible trade-offs between the benefits of spending and the tax costs. Currently, state governments have record-high budget reserve accounts.

Reform-minded Republicans have sought to limit aid for decades. In the 1980s, President Ronald Reagan consolidated some aid programs and turned them into block grants. Then in 1996, the Republican Congress reformed welfare using the block grant approach. Block grants allow the federal government to control spending while freeing states from federal regulations. The Trump administration should aim to repeal aid programs, but short of full repeal, it should convert programs to block grants and cut spending.

Reagan noted in a 1987 executive order, "Federalism is rooted in the knowledge that our political liberties are best assured by limiting the size and scope of the national government." The way to do that is to cut aid to the states and the web of regulations accompanying it.

The federal government should do the following:

- End K–12 public school subsidies. President Reagan called the Department of Education, "Jimmy Carter's new bureaucratic boondoggle." Decades of experience have shown that top-down subsidies and regulations for the nation's K–12 public schools have failed. The future of K–12 is state-driven school choice, the case for which was bolstered by pandemic-era public school shutdowns. The time is ripe to zero out federal aid for public schools to save more than $30 billion a year.
- End public housing and rental subsidies and privatize public housing. The Department of Housing and Urban Development (HUD) hands out $55 billion a year for public housing and rental aid. This spending should be zeroed out, and public housing should be privatized.
- End community development subsidies. HUD hands out $21 billion a year to cities and counties for street projects, business subsidies, arts facilities, and more. Local governments and the private sector should fund these activities.
- End urban transit subsidies. Many urban rail systems attract few riders and cost far more than promised. Locally funded bus systems are a more efficient solution for moderate-income commuters. The federal government should zero out $20 billion a year in federal subsidies for urban transit.
- End Environmental Protection Agency (EPA) subsidies. The EPA provides more than $10 billion a year in subsidies to the states for local infrastructure such as water systems. But every state knows that such infrastructure is crucial, which is why states should fund it using their own taxes and fees.
- End school lunch subsidies. The school lunch and breakfast programs cost federal taxpayers more than $30 billion a year. Local administrators have little incentive to stem abuse of the program's eligibility because the benefits are paid with "free" money from Washington. The states should pursue their own child nutrition strategies without top-down federal programs.
- Block-grant Medicaid. This health program has grown explosively because the federal government subsidizes state program expansion in an uncontrolled manner. The federal government could save $150 billion a year within a decade by converting Medicaid to a block grant and limiting growth to inflation.

Rein in Emergency Spending

Emergency spending is out of control. Congress has designated nearly $12 trillion as emergency-related spending since 1992, circumventing statutory spending limits and enabling inflationary deficit spending. Moreover, reliance on emergency designations and powers is growing, with emergency funds accounting for 12 percent of total budget authority over the past decade. Prior emergency responses, even when unwise, end up justifying future emergency expenditures. This puts the United States in a perpetual state of emergency. Congress and the administration should rein in emergency spending.

Emergency spending surges, such as during the Great Recession and COVID-19 pandemic, are often initiated before the full scope of the emergency is fully understood, exacerbating waste, fraud, and abuse. At least $1 in every $10 of pandemic relief funds was estimated to have been stolen, wasted, or misspent. Furthermore, tens of billions of emergency funds are regularly misused for predictable, nonemergency priorities, such as annual law enforcement salaries. This violates statutory criteria for emergency designations: necessary, sudden, urgent, unforeseen, and temporary. This erosion of fiscal norms, in which emergency spending is paid for with borrowed funds to be repaid later, undermines the financial credibility of the United States and brings America closer to a fiscal crisis. A more prudent approach to emergencies would be limited, targeted fiscal measures that are offset with spending cuts to low-priority programs.

The current federal disaster relief system is a bloated mess with a patchwork of agencies that poorly handle overlapping responsibilities. The result is waste and the crowding out of state, local, and private organizations that would otherwise provide for those directly affected by disasters. Moreover, the existing disaster framework creates a moral hazard by covering any catastrophic costs that arise from living or developing property in high-risk areas, thus shifting the financial risk from property owners to taxpayers. This misalignment of incentives leads to escalating costs and repeated bailouts, undermining disaster preparedness, subsidizing dangerous living patterns, and promoting fiscal irresponsibility.

Congress should do the following:

- Offset emergency spending by establishing a budgetary mechanism requiring any emergency funding be paid for with immediate or future spending cuts over a 5- to 10-year window.
- Raise emergency spending voting thresholds by increasing the number of votes required to waive Senate points of order against emergency designations from three-fifths to three-fourths.
- Restrict presidential emergency declarations to 30 days unless reauthorized by Congress.
- Remove emergency spending from the budget baseline.
- Require legislators to justify how new emergency expenditures meet existing emergency criteria.
- Regularly track and report on emergency spending.
- Rescind any remaining unobligated COVID-19 funding.
- Eliminate the Federal Emergency Management Agency (FEMA). Barring full repeal,
  - cut spending, including by ending future spending on disasters that occurred five years in the past or earlier, and
  - change the default cost-sharing ratio for FEMA's Disaster Relief Fund so that states pay for a larger share of the costs of disaster and recovery activities.
- Privatize the National Flood Insurance Program.
- Avoid enacting federal anti–price gouging laws. Allowing prices to adjust in response to changes in market conditions guarantees that goods and services demanded in disaster zones are allocated efficiently to those in greatest need.
- Eliminate the Small Business Administration.
- Eliminate most of the more than 30 federal entities involved in disaster recovery and consolidate only those narrowly defined legitimate federal functions into a single agency.

The president should do the following:

- Direct a government-wide review of all disaster-related programs to identify overlap and eliminate redundant or low-performing initiatives.
- Make National Emergency Act expenditure reports more detailed and publicly available.
- Reject appropriations bills that contain phony emergency designations.
- In the event the president requests an emergency supplemental package, he should,
  - justify why each emergency provision meets statutory criteria for emergencies, and
  - offer rescissions to offset new emergency expenditures.

End Noncitizen Access to Means-Tested Welfare, Entitlements, and Tax Credits

The American welfare state provides many benefits to native-born Americans and some immigrants who qualify. Total government spending (federal and state) on welfare amounted to about $3.1 trillion in 2022, the most recent year in which we can separate welfare consumption by natives and immigrants in the data. That year, the federal government spent roughly $2.8 trillion on welfare and entitlement programs, equal to approximately 45 percent of all federal outlays. Over $2 trillion of federal expenditures went to Social Security and Medicare, and the other $784 billion funded means-tested welfare benefits. The states spent an additional $255 billion on means-tested welfare programs.

We estimate that immigrants, including naturalized and noncitizens, individually consumed an average of $8,246 in benefits in 2022 compared to $10,405 for native-born Americans, or 21 percent less—consistent with earlier research. Altogether, noncitizens (as opposed to naturalized immigrants) consumed about $126.2 billion in all means-tested, entitlement, and certain tax credits in 2022, or about $4,944 per capita. Although immigrants have a positive net fiscal impact in the United States, noncitizens should not have access to welfare programs before they are naturalized. Ending noncitizen access to welfare would save US taxpayers approximately $126.2 billion in the first year.

The federal government should do the following:

- Extend current federal laws to bar all noncitizens from accessing means-tested welfare programs, entitlement programs, the child tax credit, and the earned income tax credit.
- Congress should enact the Safeguarding Benefits for Americans Act of 2024 (H.R. 7772) to end noncitizen access to federal assistance.

If the above legal changes cannot be made, executive branch agencies, such as the Department of Agriculture, the Department of Homeland Security, the Social Security Administration, and the Department of Health and Human Services, should do the following to reduce noncitizen access to welfare:

- Affirm that states are not required to provide federal benefits to qualified aliens after five years of residence and request that states annually affirm that they will be choosing to provide qualified aliens benefits for benefits under 8 U.S.C. § 1612(b) since almost all states are currently exercising their option to provide benefits.
- Define "federal means-tested public benefits" for purposes of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) to include all discretionary means-tested public benefits since the term is not defined by statute, overturning 63 Fed. Reg. 36653, 62 Fed. Reg. 45284, and 62 Fed. Reg. 45256. That would exclude noncitizens from access to these programs unless they were "qualified aliens" (generally, legal permanent residents with five years of residence).
- Clarify that parolees are only eligible for benefits under the PRWORA if they:
  - are *currently* paroled with at least one year remaining on their parole, rather than anyone who was ever paroled for at least one year;
  - entered the United States *as a parolee* as required by law (rather than released from custody as a parolee); and
  - have maintained parole status continuously for five years.
- Redefine "lawful presence" under 8 C.F.R. 1.3 for the purposes of applying for Social Security benefits to exclude asylum applicants, U Visa applicants, and deferred action and deferred enforced departure recipients.
- Redefine "lawfully present" under 8 C.F.R. § 155.20

to exclude individuals receiving employment authorization, adjustment of status applicants, asylum applicants, U Visa applicants, special immigrant juvenile applicants, and deferred action and deferred enforced departure recipients.

- Finalize 84 Fed. Reg. 20589 to exclude ineligible noncitizens from serving as leaseholders in public housing.
- Rescind 89 Fed. Reg. 39392, which created eligibility for Deferred Action for Childhood Arrivals, or DACA, recipients to receive health care tax credits.
- Prohibit all non–Supplemental Nutrition Assistance Program (SNAP) federal means-tested benefits to those who are "qualified aliens" if they have never "entered into the United States" *as a qualified alien* (i.e., individuals who adjusted their status to a qualified alien would not qualify) as required by 8 U.S.C. 1613.
- Deny SNAP applications that include ineligible noncitizens, rather than allowing them to withdraw and edit the application—overturning 7 C.F.R. 273.2(f)(1)(ii)(A).
- Require state and federal implementing agencies to use *in-person* photo identification for all noncitizens requesting public benefits (amend 7 C.F.R. § 273.2 and 42 C.F.R. § 435.907).
- Require states and agencies to require biometric identity verification for any noncitizen public benefits use.

Reform the Tax Treatment of Health Care

In a free market, consumers would control 100 percent of health spending. The government would control 0 percent. In the United States, the government controls 84 percent of health spending. That's one of the highest shares among advanced nations. It's just 5 percentage points behind communist Cuba. The result is that the health sector does what the government and special interests want—not what consumers want.

At more than $1 trillion per year, the largest source of compulsory health spending is employer-sponsored health insurance. The federal tax code effectively compels workers to let their employers control a sizeable chunk of their compensation, about $18,000 of the average family's earnings, and their choice of health plan.

This regressive policy makes health care less universal. It increases health care prices by reducing price competition. It reduces health care quality by penalizing delivery innovations, such as electronic medical records and care coordination. It reduces health insurance quality by compelling workers to purchase coverage that predictably and routinely disappears after patients get sick, leaving them with uninsurable preexisting conditions. These burdens fall hardest on the most vulnerable patients.

Tax-free universal health accounts (UHAs) would return that $1 trillion to the workers who earn it and restore workers' freedom to make their own health decisions. UHAs would make health care more universal—better, more affordable, more equitable, and more secure.

The federal government should do the following:

- Replace all health-related tax preferences with a single income- and payroll-tax exclusion for deposits into worker-owned, tax-free UHAs.
- Set UHA deposit limits for individuals and families at levels that achieve revenue neutrality.
- Allow patients to use UHA funds to purchase any health insurance plan from any source, tax-free.

End Multilateral Tax Agreements and Defund the OECD

President Biden's Treasury Department has been the key driver of the Organisation for Economic Co-operation and Development's (OECD's) project to create a global tax system that raises the cost of international investment, targets America's most profitable companies with higher taxes, and allows China to game the system.

This sprawling effort comprises two pillars, which, taken together, threaten higher and more complicated taxes. Pillar One redistributes hundreds of billions of multinational corporate profits to countries based on customer location, regardless of a company's physical location—upending critical protections against extraterritorial taxation. Pillar Two consists of a series of new complicated rules that enforce a global minimum tax of 15 percent and undermine the economic success of the 2017 Trump tax cuts.

As the minimum tax is implemented around the world, it is clear that the Biden administration negotiated a bad deal for American businesses, their employees, and the US Treasury. For example, the Pillar Two minimum tax will likely cost businesses and the global economy more than the levy will raise in new revenue, and the rules explicitly seed power to China's model of state-subsidized enterprises. There are actions that Congress and the president can take to counteract the OECD's efforts to raise taxes on American businesses and construct an international tax cartel.

Congress should do the following:

- Cut US funding for the Part 1 core budget and Part 2 voluntary contributions to the OECD.
- Instruct the president to immediately notify the OECD and France, its depository government, that the United States will terminate the application of the Convention on the OECD and the convention's protocols.
- Repeal the Foreign Account Tax Compliance Act of 2010.
- Exempt all foreign-sourced income from US tax laws.

The president should do the following:

- Notify tax treaty partners that the United States considers the Pillar Two rules to violate existing treaty language.
- Repeal country-by-country reporting regulations and stop taxpayer information exchange programs with any country implementing Pillar Two.
- Withdraw from the protocol amending the Multilateral Convention on Mutual Administrative Assistance in Tax Matters on bulk taxpayer information exchange.

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Despite the achievement of the nation's Founders, today virtually no aspect of life is free from government encroachment. A pervasive intolerance for individual rights is shown by government's arbitrary intrusions into private economic transactions and its disregard for civil liberties. And while freedom around the globe has notably increased in the past several decades, many countries have moved in the opposite direction, and most governments still do not respect or safeguard the wide range of civil and economic liberties.

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