December 4, 2024 / Can DOGE cut 2 trillion?

[HALF SECOND OF SILENCE]

[BILLBOARD]

SEAN RAMESWARAM (host): Elon Musk is a funny guy.

<SCORING IN> Amphibious Blustery Flapdoodle

SEAN: You can tell because his favorite cryptocurrency is based on a cute dog? A Shiba Inu. Which inspired the Doge meme. Which inspired Dogecoin. I’m sorry if I’m losing you. The point is, it’s Elon’s fav. In 2021 he hosted *Saturday Night Live* and plugged it over and over.

*<CLIP> SATURDAY NIGHT LIVE:*

*ELON: And lately, prices have been soaring for cryptos like Bitcoin, Ethereum, and especially Dogecoin.   
Crowd: <cheers>*

SEAN: He also said he would fund a moon mission entirely with Dogecoin and incessantly tweeted about the crypto, and for a minute Tesla was accepting Dogecoin. In 2022, investors got tired of the antics and sued Elon Musk for manipulating the price of the coin. They lost. Elon won. And then Kamala lost. So Elon won again. And now, our future president has rewarded Musk’s loyalty with an entire government agency named for his favorite memecoin. And as you’ve probably heard, it’s called:

MILES BRYAN: The Department of Government Efficiency!

SEAN: Or DOGE on *Today, Explained*.

<SCORING OUT> Amphibious Blustery Flapdoodle

[THEME]

SEAN: The first thing you need to know about the Department of Government Efficiency is that Trump’s put two people in charge of it, so it’s off to a great start. Elon is one of them. The other is Vivek Ramaswamy. No relation. We asked Vox’s Dylan Matthews to help us understand what they intend to do. But first we asked him … where he stands on the federal government.

<SCORING IN> Question marks

DYLAN MATTHEWS (senior correspondent, Vox): Any sufficiently large organization is going to have inefficiencies and there are definitely inefficiencies in federal spending. But almost everything that the federal government spends money on is pretty noncontroversial, which is why we keep spending money on it.

SEAN: Mmmmmmmm. But that's not how Elon and Vivek feel.

DYLAN: No.

*<CLIP> VIVEK RAMASWAMY: It's no secret that this is a fourth branch of government, the administrative state that makes most of the rules, that creates a federal bureaucracy that's hampering our economy.*

*<CLIP> ELON MUSK: If the current trend of of strangulation by overregulation, if it's not turned around, we will never get to Mars. It just will be illegal.*

DYLAN: So, I mean, they're private sector guys, right? Like they're all about arguing that old sectors are inefficient and need to be disrupted.

*<CLIP> SPEAKER: How much do you think we can rip out of this wasted $6.5 trillion Harris-Biden budget?*

*ELON MUSK: Well, I think we can do at least 2 trillion.*

*SPEAKER: Yeah!*

*<crowd cheers>*

DYLAN: I'm skeptical. There's an old saying in Washington that the the U.S. federal government is an insurance company that has an army attached to it. <chuckles>

SEAN: <laughs>

DYLAN: And I think this is, this is a good way to, to broadly think about what it spends money on.

<SCORING OUT> Question marks

SEAN: And how much does this insurance company with an army attached to it cost? You say they want to eliminate 2 trillion of the budget. How many trillions is the budget?

DYLAN: So in fiscal year 2023, we spent $6.1 trillion on various things.  
  
SEAN: Mm.   
  
DYLAN: Of that a little under 700 billion was, was interest. So that's just debt we had and we had to pay interest on it. So for actual programs for people, it's more like 5.4 trillion. So 2 trillion out of that is over a third. It's a really, really big number.

SEAN: Okay. And so a huge chunk of it is just debt service. But what is the actual spending? What's, what's the largest share of that six-ish trillion?

DYLAN: So biggest single share is Social Security. That's 1.3 trillion. That's benefits for retirees, survivors, people with disabilities that they've paid into, and so 1.3 out of, out of 6.1 total trillion…and that's the biggest single program. And it's one that Trump has promised not to cut.

*<CLIP> PRESIDENT TRUMP: And we will always protect your Social Security.*

SEAN: And when you think about what this DOGE outfit wants to do, they're not talking about getting rid of Social Security, are they?

DYLAN: No, they're very insistent that they're not and that they're not trying to aim for Social Security and Medicare, which is the second biggest program.

SEAN: Aha.

DYLAN: Those are big programs for seniors.

*<CLIP> PRESIDENT TRUMP: We're not touching Medicare. We want to keep Medicare. We're not touching Social Security.*

DYLAN: One thing that was unusual about Donald Trump, both in 2016 and 2024, is he promised not to cut them after you had Paul Ryan talking about, like, very serious plans to cut them.

*<CLIP> SPEAKER: Do you consider it possible to arrive at a fiscal policy and plan that reduces the deficit without touching Medicare and Social Security or military spending?*

*HOUSE SPEAKER PAUL RYAN: No, you can't. It's just a mathematical impossibility.*

DYLAN: And so Trump wanted to be this different kind of Republican who wouldn’t threaten these programs. The reason that people like Paul Ryan wanted to cut them is that together they make up about a third of the overall budget, and it's just very hard to make serious cuts while declaring them off limits.

<CLIP> *HOUSE SPEAKER PAUL RYAN: If you do not tackle the drivers of our debt, which are entitlements, you cannot balance the budget in the future and pay down the debt. It's just not possible.*

SEAN: And just to help people understand the full picture here, what are we spending on Medicare as a country?

DYLAN: So 2023, we spent 839 billion. So less than Social Security, but a lot. And Social Security is increasing in its costs just because the population is aging, more people are retired and taking benefits. Medicare is growing both because of that and because medical costs tend to grow quicker than other costs. And so it's, it's smaller than Social Security now. It might overtake Social Security as we get new treatments, we get new kinds of surgeries, new ways to extend people's lives that, that are great but cost money.

SEAN: Okay, so now we're into the hundreds of billions of dollars of expenditures. You mentioned that debt service was, was in this company. What about defense spending? Isn't that a huge chunk? Where does that fall in?

DYLAN: Defense spending is huge. That was 8… 805 billion in 2023. So just behind Medicare in terms of total expenses. But almost no Republican wants to cut it outright. And so they might talk about, you know, finding areas of waste. Defense contractors that charge 30 bucks for a wrench, that kind of thing. But it's unlikely to be a major target.

SEAN: Okay. So then what are we talking about? <chuckles> So we've gone through, you know, Social Security, Medicare, defense, debt service, things that sound sort of untouchable or not really of, of much interest to Trump, Elon and Vivek. What's left?

DYLAN: So I think the biggest category is programs for poor people, bluntly.

<SCORING IN> A clear vision of the future

DYLAN: So the most important here is Medicaid, which is our program for, for people in poverty and many disabled people. That's about $616 billion in federal money. It's a federal state program. So states kick in a lot on top of that. But that's the, the next biggest chunk after, after Social Security, Medicare, defense. And it's historically been a big target of, of cut proposals. When Trump was trying to repeal and replace Obamacare in 2017, most of Obamacare is an expansion of Medicaid. And so what he was talking about were very serious Medicaid cuts, and I would expect something similar. His budget chief is this guy named Russ Vought, who has been putting out budgets sort of during the Biden years of what he wants to do. And those budgets included a third cut to Medicaid. He wants to slash the whole program by a third. I don't know if if Trump is going to go that far, but his own budgets last time around included very serious Medicaid cuts. And I would I would expect the same this time around. And after Medicaid, we spend about $450 billion on what are called income security programs. These are things like food stamps, tax credits, like the child tax credit and the earned income credit. Broadly, a lot of programs that support low income people's incomes. It also includes some things for veterans which are unlikely to be cut. But that broad category of income supports for poor people has been a major target as well. And food stamps in particular, Trump tried to cut repeatedly last time and are likely to be a major target again this time. So I would say they're they're not politically easy things to cut because advocates for poor people, the whole Democratic Party, are going to fight you tooth and nail on this. But they're historically easier to cut than Social Security or Medicare or defense spending. And so I think are likelier to be top targets.

<SCORING OUT> A clear vision of the future

SEAN: And if the space man and the young man figure out some, you know, huge cuts to, to welfare programs in the federal government…do they have the power to slash spending?

DYLAN: I do not think that the White House on its own has the power to cut federal spending. Congress has the power of the purse. Traditionally, the way this has always worked is that the president will put in a budget request outlining what he wants the budget to look like. Congress will completely ignore that and pass what they want to pass. And then what ultimately is enacted is much closer to what Congress wants than what the president wants. However, Russ Vought the budget director who Trump recently reappointed, has been pretty vocal that he thinks the president has what's called an impoundment power or the power to refuse to spend money the Congress has appropriated. If they're right, and if they assert this power and it goes all the way to the Supreme Court, then Trump on his own would have the power to just ignore spending bills from Congress. And if he, say, wanted to cut Medicaid by some number of billions of dollars, he could just withhold spending for the programs that he, he doesn't want to fund there. That would be a quite radical expansion of presidential power. And I bring it up only because senior members of Trump's team have been very vocal that they think he has this power. But it will require a pretty dramatic assertion of authority, a very long court battle before anything like that comes up.

SEAN: So what do you think that means for DOGE and their goal to cut 2 trillion?

DYLAN: They are not going to cut $2 trillion. Like, I will bet any amount of money. If Elon wants to sort of set up a crypto deal with me and say like I bet $5 million – that I for sure don't have – but I bet you $5 million that we're going to pass $2 trillion in annual spending cuts. I will sign that and, like, take out whatever loan shark loans necessary because I will win that bet.

SEAN: <laughs>

<SCORING IN> Sunken cruise ship

DYLAN: I think they will come up with a list of smaller appropriations that they think are wasteful or ill-advised. They'll come up with government contracts that they think are for too much money or are wasteful. I will say this for Elon: that he does have a lot of experience with government procurement through SpaceX. I would guess that the the quantity of cuts we're going to be looking at is in the tens of billions rather than hundreds or trillions. But one thing I have learned is that, I felt like I was able to predict what Joe Biden would do, I felt like I was able to predict what Barack Obama would do, I felt like I was able to predict what Paul Ryan would do. I have been wrong again and again about what Donald Trump will do and his team. And so I…while 2 trillion I'm ruling out, there's a wide range of possibilities here.

SCORING BUMP  
  
SEAN: You can read Dylan Matthews at Vox. I certainly do. When we’re back on *Today, Explained*, someone who is a glass half full kinda guy when it comes to cutting 2 trillion.

<SCORING OUT> Sunken cruise ship

[BREAK]

[BUMPER]

SEAN: Chris Edwards is with Cato. Which means he’s a libertarian. Which means he’d love to see 2 trillion dollars, or probably even more, cut from the federal budget. He’s super into the concept of DOGE, but he says he would add another E at the end of the name, so I asked him how he’d pronounce that.

CHRIS EDWARDS (economist, Cato Institute): <laughs> DO… I say DOGE double E, perhaps?

SEAN: <laughs> DOGE double E!

CHRIS: You know, the Elon Musk and Vivek Ramaswamy, you know, they've proposed their Department of Government Efficiency. Well, to solve the $2 trillion federal deficit problem, we not only need more efficiency, we need eliminations.   
  
SEAN: Aha.   
  
SEAN: So while people might, you know, envision the federal government and its 2 million federal civil servants we have working more efficiently, that's great and fine. They do need to work more efficiently. We also need to eliminate programs.

SEAN: You seem to believe that there are eliminations here. They may not get us to 2 trillion, but if you pull a bit from here and pull a bit from there, you're going to start making progress. Tell us where you wanna pull from.

CHRIS: Well, Trump, unfortunately, has said he wouldn't cut the two biggest programs in the federal budget, Social Security and Medicare. He's probably not going to cut defense either because his party traditionally supports big defense spending. So those are the three biggest programs in the federal budget. So what else can you cut? Well, the next biggest pot of money in the federal budget is aid from the federal government to state and local governments. That's $1.1 trillion of spending every year. So this is aid for highways, K-12 education, Medicaid, housing, community development, that sort of stuff. I think that stuff can be cut. I think it should be cut. I think state governments can pick up the slack. State governments are actually in a very strong budget position these days with large rainy day funds. So I think the federal government can and should cut this flow of money from the federal government down to state government. So then the states can, you know, can, can respond as they please. They can raise taxes, they can cut other spending. State governments are required to balance their budgets, so that's a good thing. The federal government will cut the subsidies then state governments can handle the fallout and figure out how they want to reorganize their budgets.

<SCORING IN> Richard goes skating

SEAN: How much would these cuts be felt by, by people across the country? By, by voters? By Americans? You know, cuts to housing, community development, highways? I mean, I realize that states have their own budgets and can fund these things, but not all states are created equal. Not all states have surplus funds to use to pick up the slack for the federal government, right?

CHRIS: No, that's right. And every state would respond in a differential sorts of ways. Diversity, I think that's a good thing. You know, if the federal government cut a welfare program like, like public housing, you know, New York might decide to fund its own public housing. But, say, Texas might decide, hey, we're going to privatize our public housing. But I think those differential kind of responses by the states would be a good thing. I think that when the federal government cuts aid to the states, it should phase it in. It should, you know, phase it in over, say, five years to give state legislatures the time to plan, you know, how they're going to respond and whether they're going to cover the funding for these programs themselves. But, you know, currently the federal government has 1,300 different federal aid-to-state programs. This is a massive web of programs that has grown, particularly since the 1960s. I don't think these programs have worked particularly well. They're extremely bureaucratic when you involve two or three levels of government funding programs. I think we'd have a much more efficient government at all levels if we got the federal government out of these properly state activities.

<SCORING OUT> Richard goes skating

SEAN: We know you libertarians love to eliminate programs. Are you envisioning a United States that maybe doesn't have programs that support public housing, maybe doesn't have, you know, a federally-funded transit or maybe doesn't have a Corporation for Public Broadcasting? Is that what you'd really like to see?

CHRIS: I would like to see that, and over the last century, power has become centralized in Washington, in my view, for no particular reason. And I'll give you a story about that, Sean. So I grew up in Canada. Canada is a high income democracy. It's a much more decentralized federation than United States. In rough terms, government spending in the United States is two-thirds federal and one-third state. Canada is the flip. Canada is only one-third federal and two-thirds provincial. As an example of that, Canada has no federal Department of Education. And on international test scores, Canadian students do substantially better than American students. So I don't believe you need to centralize some of these activities to have well-functioning government. And I think Canada—it's not a great model for some things, I think the current Prime minister's had lots of problems. However, I think the basic governmental structure of being a decentralized federation is a good model for us to look at.

SEAN: I gu– and, and you heard Dylan say that the one thing he's always expecting with Trump and let's say now DOGE is the unexpected. Does the unexpected factor here mean that these business-minded, drain the swamp, let's-go-to-Mars-types could actually pull something out of the bag to get rid of these programs? To even maybe eliminate things that have so far, seemingly, been political third rails in this country?

CHRIS: There has, there is a tradition of Congress putting together big, fancy blue ribbon commissions, writing big reports, and then the reports end up on shelves collecting dust. That is true. However, I think the debt problem is much bigger than it was ten years ago. I think something that's changed as well is the threat of inflation. You know, we found out during this last election how incredibly unpopular bouts of inflation are. And, you know, Republicans have spent the last two years blaming all the inflation on Biden’s spending.

*<CLIP> SENATOR TED CRUZ: When you spend trillions of dollars, you cause inflation.*

*<CLIP> SENATOR MITCH MCCONNELL: For many of my constituents, this is a choice in some cases between putting food on the table and staying warm. This could not be a more challenging problem confronting America.*

*<CLIP> SENATOR JOHN BARRASSO: Only three in ten Americans approve of the way that Joe Biden is handling inflation.*

CHRIS: Whether or not, you know, you buy that as an economic argument. I think going ahead, Republicans will be scared that if the deficits are too big and the spending is too large, they risk a bout of inflation leading up to the midterms. I think they should be scared of that. And I do think that that should be, you know, an impetus for them to start making some spending reforms, to encourage financial markets that, you know, there will be a problem to this massive… these massive deficits in Washington. So I think there is a political opening here. Presidents have their most legislative leverage in their first year, and I think they need to start cutting in the first year. Again, in order to ward off inflation as well as to actually, you know, get something done before the midterms, get too close on the political calendar.

<SCORING IN> Huge as horns

SEAN: Before we go, I would love to ask you what you think of all the corporate welfare that is going directly to Elon Musk to fund programs like SpaceX?

CHRIS: Well, Elon Musk is an interesting example of someone…you can't deny his, his incredible entrepreneurial success. But it is also true that he's, he's got a lot of corporate welfare over the years, both at the federal level and at the state and local level. And one of the problems with our giant government, with its octopus tentacles into everything these days, is that every business gets subsidized! And it's hard to run a business without, without going to Washington and pleading for subsidies. So, you know, that is true about Musk. I wish… you know, he's got a great car company there. He should wean himself off those federal subsidies.

*<CLIP> ELON MUSK: Your money is being wasted and the Department of Government Efficiency is going to fix that.*

SCORING BUMP

SEAN: Chris Edwards. Cato Institute. Sean Rameswaram. *Today, Explained*. Our show today was produced by Haleema Shah. She was edited by Amina Al-Sadi, mixed by Patrick Boyd and Rob Byers, and we were fact checked by Kim Eggleston. Hasta mañana.

<SCORING OUT> Huge as horns

[10 SECONDS OF SILENCE]