

## Executive Summary

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Government's mission matters. Our Constitution is unambiguous on this point—in 1787, we endowed our government with the power to “establish Justice, insure domestic Tranquility, provide for the common defence, promote the general Welfare, and secure the Blessings of Liberty.”

Unfortunately, this vision is increasingly threatened by our government's unsustainable fiscal path. The Congressional Budget Office projects that by 2030, the federal government will be spending 30 percent of GDP but collecting only 20 percent in tax revenue. By 2050, the government will be collecting that same 20 percent, but spending 45 percent.

Deficit spending will also generate its own costs. Eventually, the accumulated costs of past deficits will be the drivers of new ones. The CBO projects that just 10 years from now, in 2021, the interest we will pay on previous borrowing will cost taxpayers \$792 billion—accounting for all of 2021's projected \$763 billion deficit and then some. These numbers speak for themselves.

The practical effect of these persistent deficits is that interest payments will eventually crowd out the essential work of government. When we fail to help the thousands of homeowners who have been wrongfully foreclosed on, there is no Justice. When we spend almost twice as much servicing our debt as we do educating our children, there is no general Welfare. When we have burdened future generations with a bill they did not choose and cannot pay, there is no Liberty.

Restoring our budget to a sustainable path will not be easy. We will have to make tough choices, sacrificing programs we care about to preserve programs that are essential. But there can be no sacred cows in this process—all options must be on the table and, while there can and must be genuine disagreement, all parties must negotiate in good faith.

In this report, we have tried to make some of these tough choices. On health care, rather than simply shifting costs to the private sector or ending entitlement programs altogether, we propose fundamentally reforming the way we deliver and pay for health care, emphasizing value over volume.

On defense, we suggest cutting outdated programs and consolidating duplicative ones, to keep our military as the strongest, most flexible fighting force in the world. We recommend cutting hundreds of billions of dollars in tax expenditures that hurt the environment and subsidize unproductive behavior, and also propose moving to an agricultural policy that uses market-based risk management tools.

On Social Security, we keep the basic benefit structure in place while putting the program on sounder financial footing. We also recommend that deficit reduction include reasonable cuts to non-defense discretionary spending. All told, our recommendations would save at least two trillion dollars over the next 10 years.

These are not arbitrary recommendations—our goal is not to cut spending simply for the sake of cutting it. On the contrary, we believe that deficit reduction must serve the greater purpose of

government as envisioned by our founders. Fiscal sustainability is a means to an end, not an end in itself, and we have to be mindful of government's mission when we set about reforming it.

This is why the title of the report is "Reinventing Government". As we consider reforms to make our federal budget more fiscally sustainable, the seriousness of our problem demands that we do more than just nibble around the edges. Yet neither should we go overboard, eviscerating social safety nets and offloading all of the costs onto low-income individuals without the ability to pay.

Instead, we need to think about how we would design government if we were designing it from scratch. How can the federal government most effectively discharge its constitutional duties? How can it do so sustainably? These are the questions we are trying to answer.

We believe that the 60 recommendations detailed in this report can help answer these questions. We have tried to be attentive to our long-term fiscal challenges, but not dismissive of government's indispensable role in society. A more sustainable budget will enable us to responsibly invest in public goods like infrastructure, education, and health care.

Of course, this report is only one set of recommendations and will not solve our deficit and long-term debt problems on its own. We will have to continue making tough choices so that our children and children's children are able to enjoy the same freedoms and liberties that we have enjoyed.