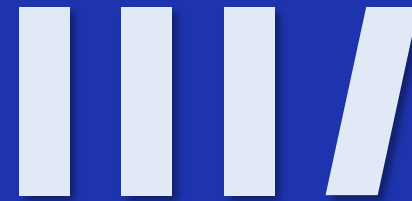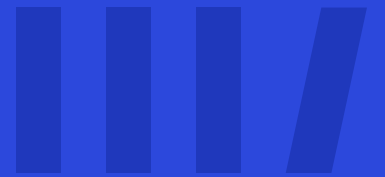**Manhattan Institute**
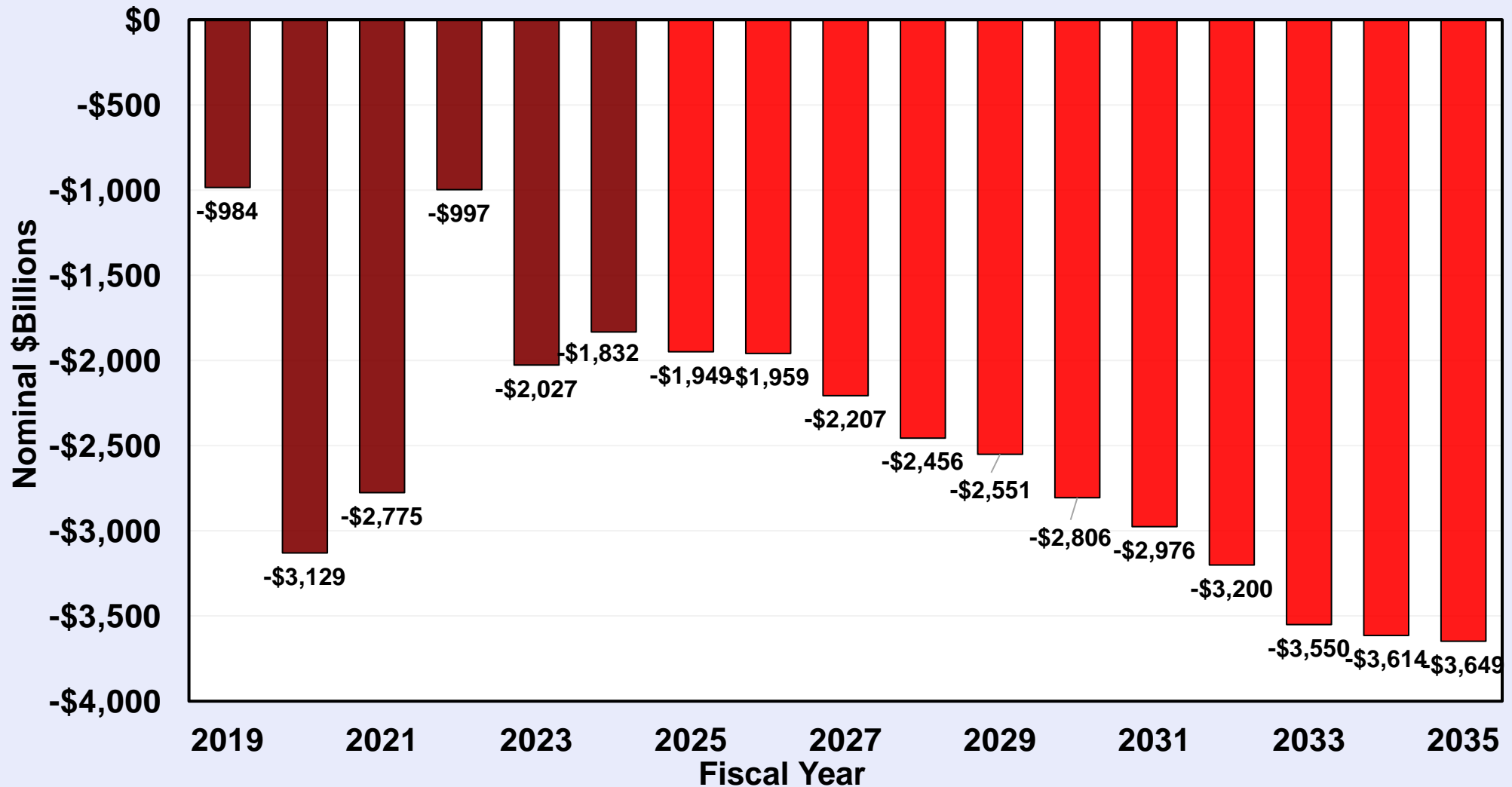
Will DOGE Rein in Spending?

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- # Spending and Deficits are Driven by Big Entitlements

Budget Deficits Under Current Policies are Set to Exceed $3.6 Trillion Within a Decade

Source: January 2025 CBO baseline adjusted for current-policy extensions of tax cuts and spending. Final 2022 and 2023 figures also adjusted for the cancelled student loan bailout.

The Realistic "Current-Policy" Baseline Shows Deficits Exceeding 14% of GDP in 30 Years

Federal Spending

20.4% (1960–2023)

17.3% (1960–2023)

Tax Revenues

32.0% (2054)

17.8% (2054)
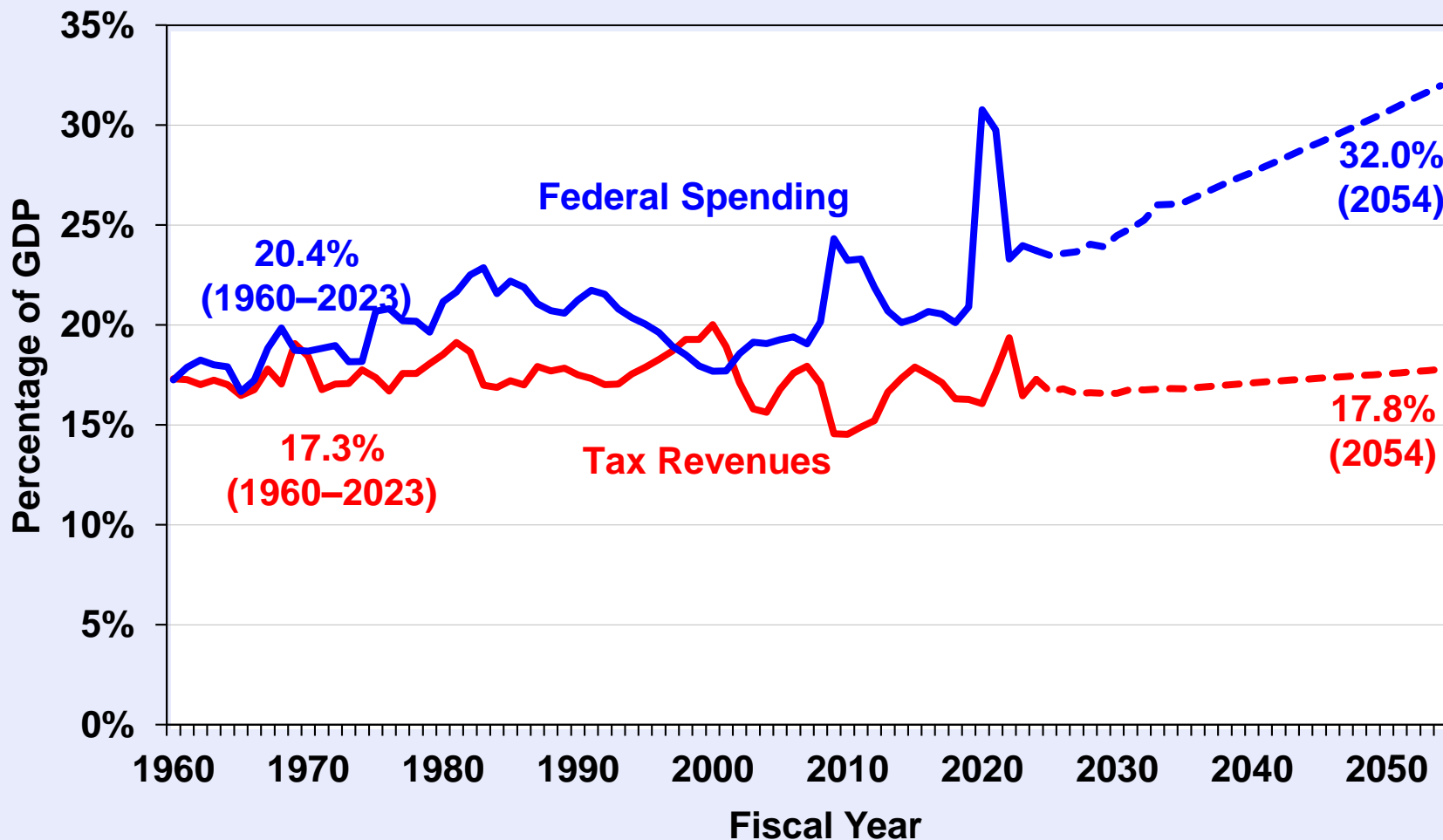
Source: CBO 2024 Long-Term Budget Outlook adjusted to include likely tax cut and ACA extensions, and to cancel (realistically unlikely) large long-term cuts in discretionary and "other mandatory" spending as a percentage of GDP.

Composition of Federal Spending, 1962–2024
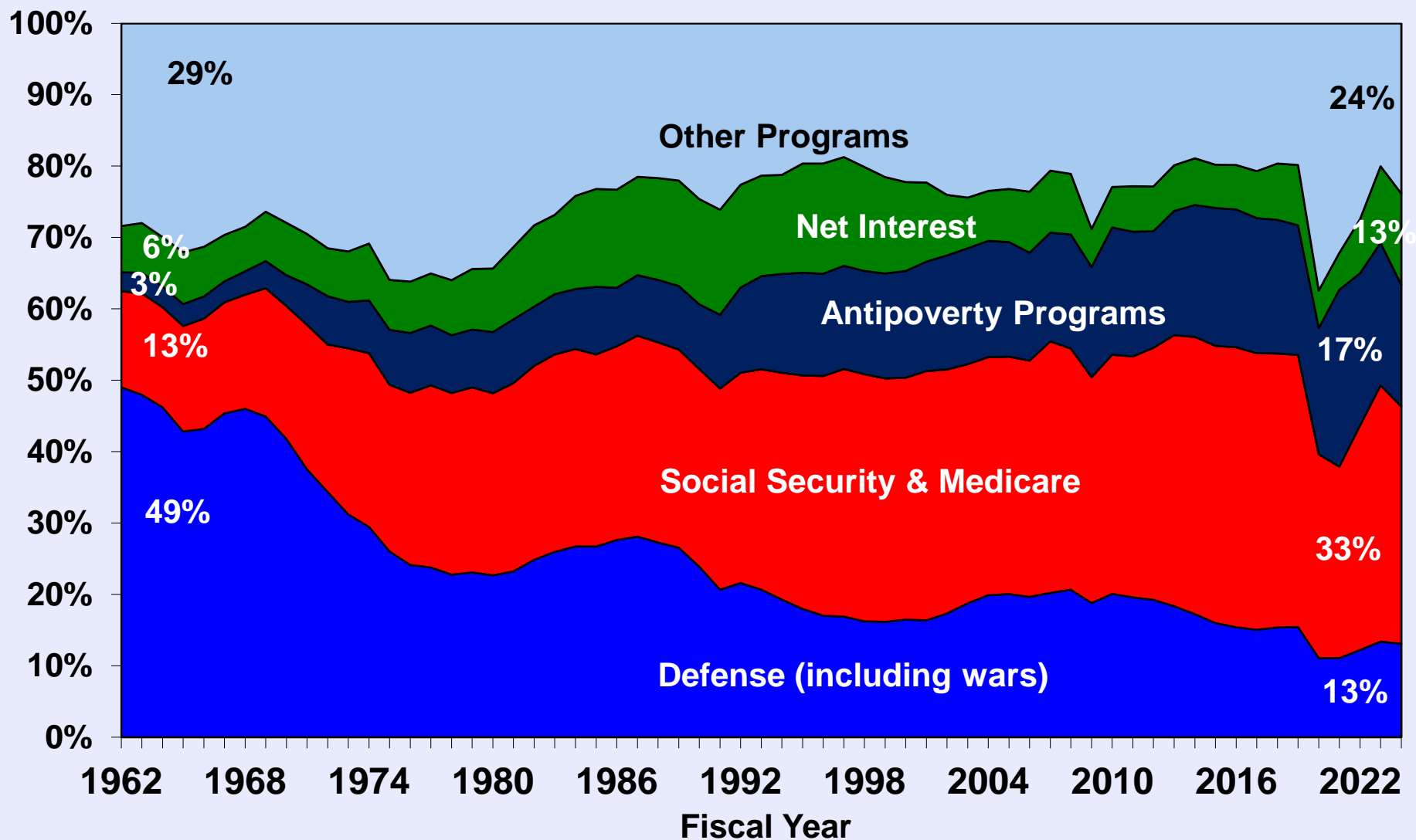
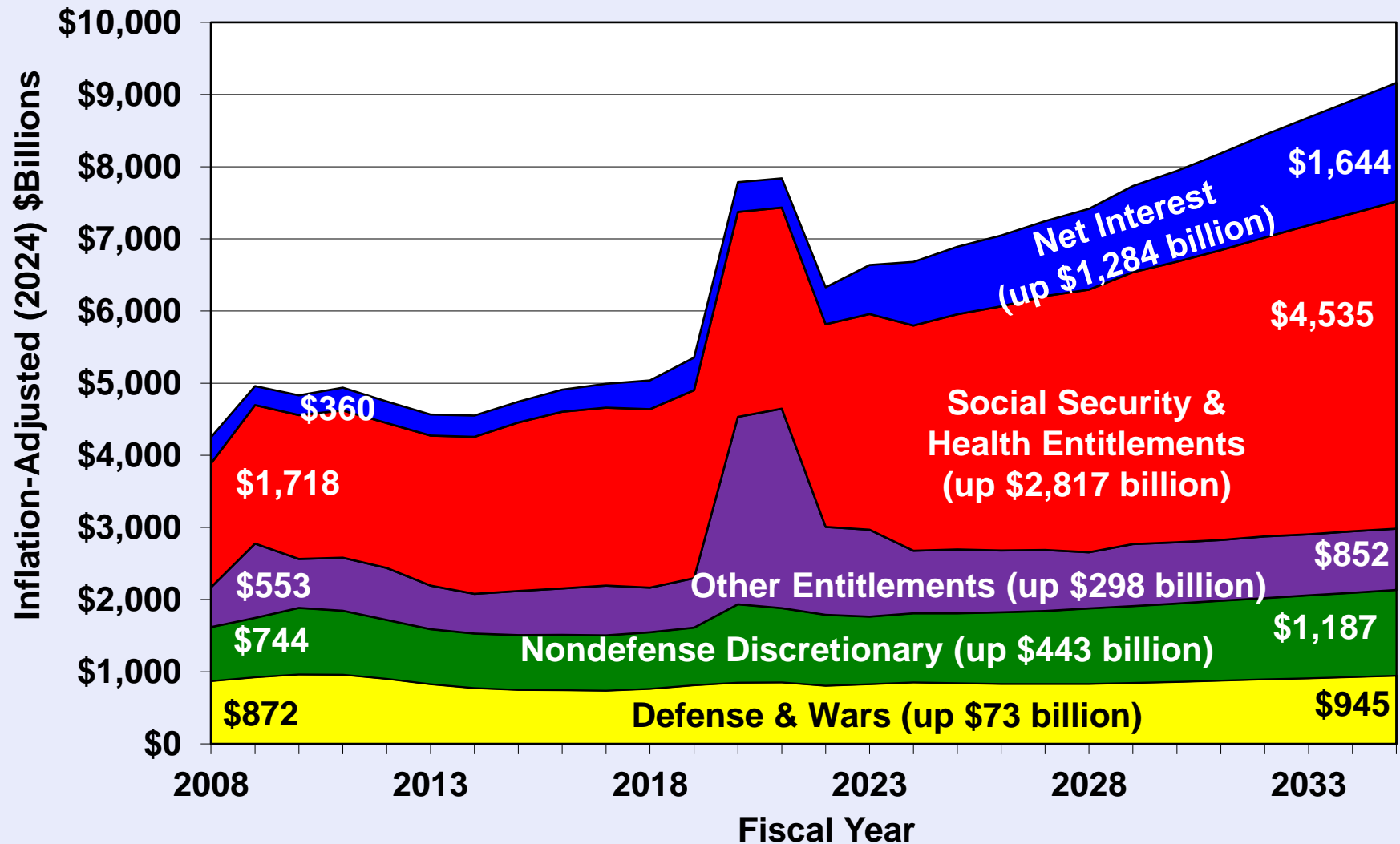Source: OMB Historical Tables 3.2, 8.5, and 10.1

Social Security, Health Entitlements, & Interest Costs Drive 83% of the 2035 Spending Hike Over 2008 Level

Inflation-Adjusted (2024) $Billions

Net Interest (up $1,284 billion) — $360 ... $1,644

Social Security & Health Entitlements (up $2,817 billion) — $1,718 ... $4,535

Other Entitlements (up $298 billion) — $553 ... $852

Nondefense Discretionary (up $443 billion) — $744 ... $1,187

Defense & Wars (up $73 billion) — $872 ... $945

Fiscal Year

2008   2013   2018   2023   2028   2033

Source: OMB Historical Tables and January 2025 CBO baseline (adjusted for current-policy tax and spending extensions).

Federal Budget, 1960–2054 (Projected)

Percentage of GDP

- Net Interest — 9.0%
- Social Security & Health Entitlements — 14.3%
- Other Entitlements — 2.6%
- Nondefense Discretionary — 3.0%
- Defense & Wars — 3.0%
- Revenue
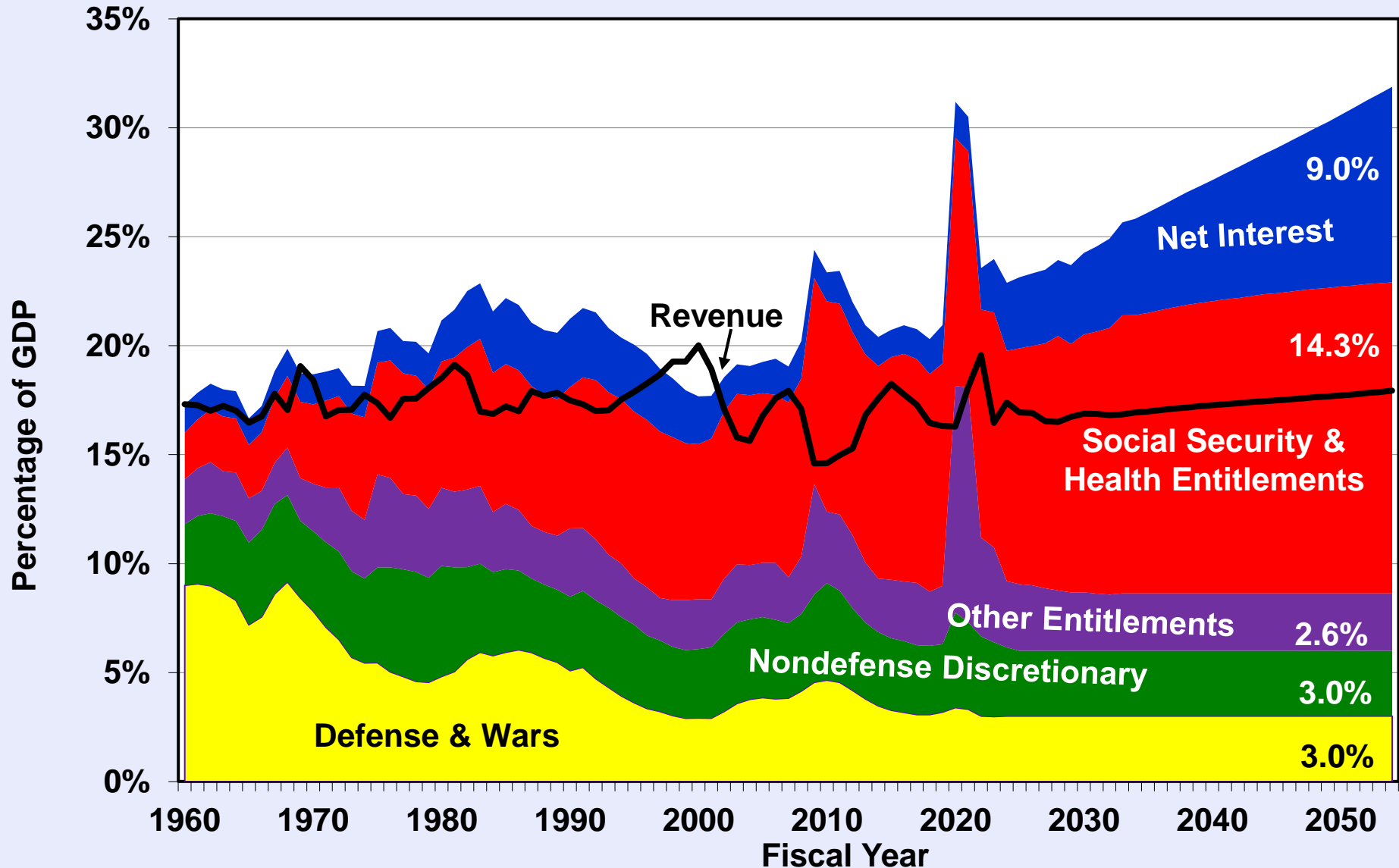
Source: CBO 2024 Long-Term Budget Outlook (adjusted to extend current tax and spending policies) and OMB Historical Tables.

Balancing the Budget in 10 Years While Extending the TCJA and Protecting Priority Spending is Nearly Impossible

Spending Cuts From Remaining 2034 Programs Required to Balance 2034 Budget

Percentage Spending Cut

- **34%** — Equal Program Cuts
- **65%** — No Cuts to Social Security and Medicare
- **76%** — No Cuts to Social Security Medicare, and Veterans
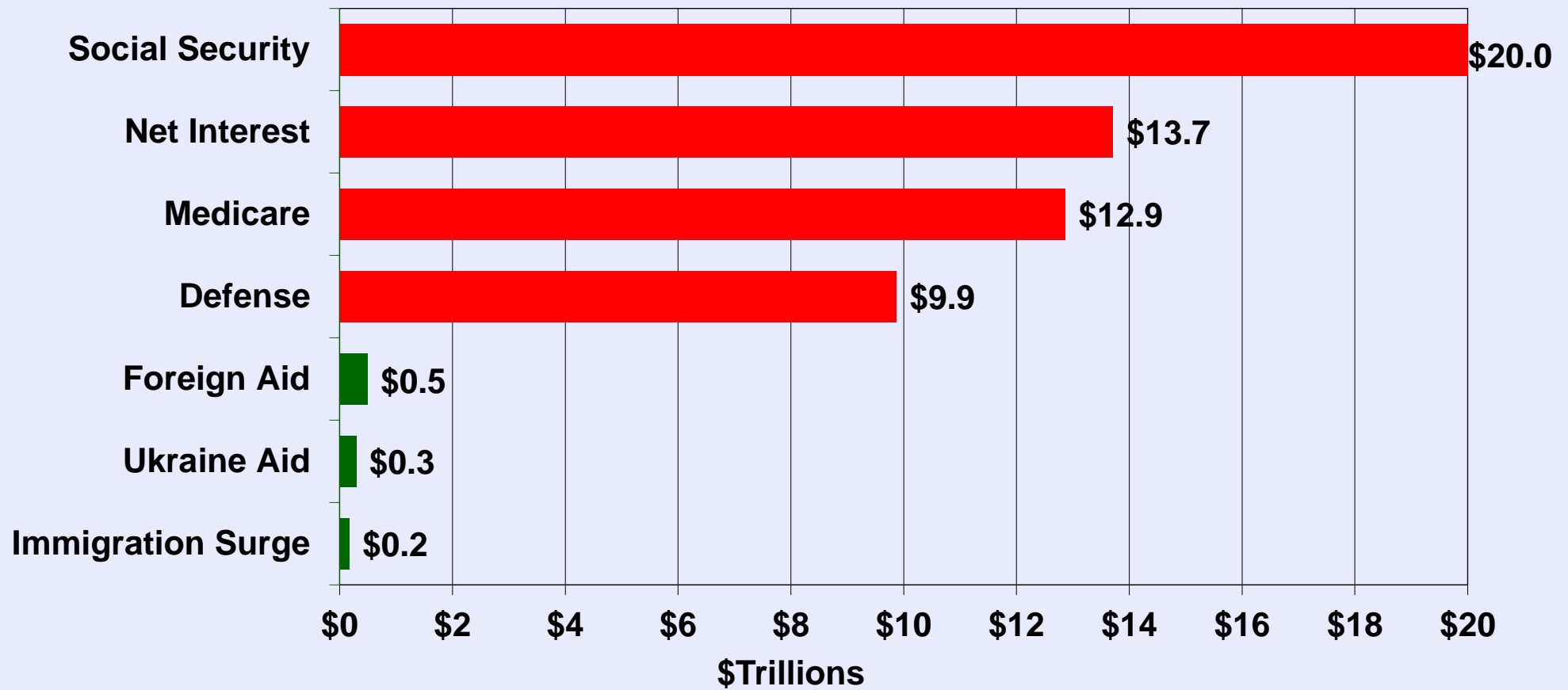- **107%** — No Cuts to Social Security Medicare, Veterans, and Defense
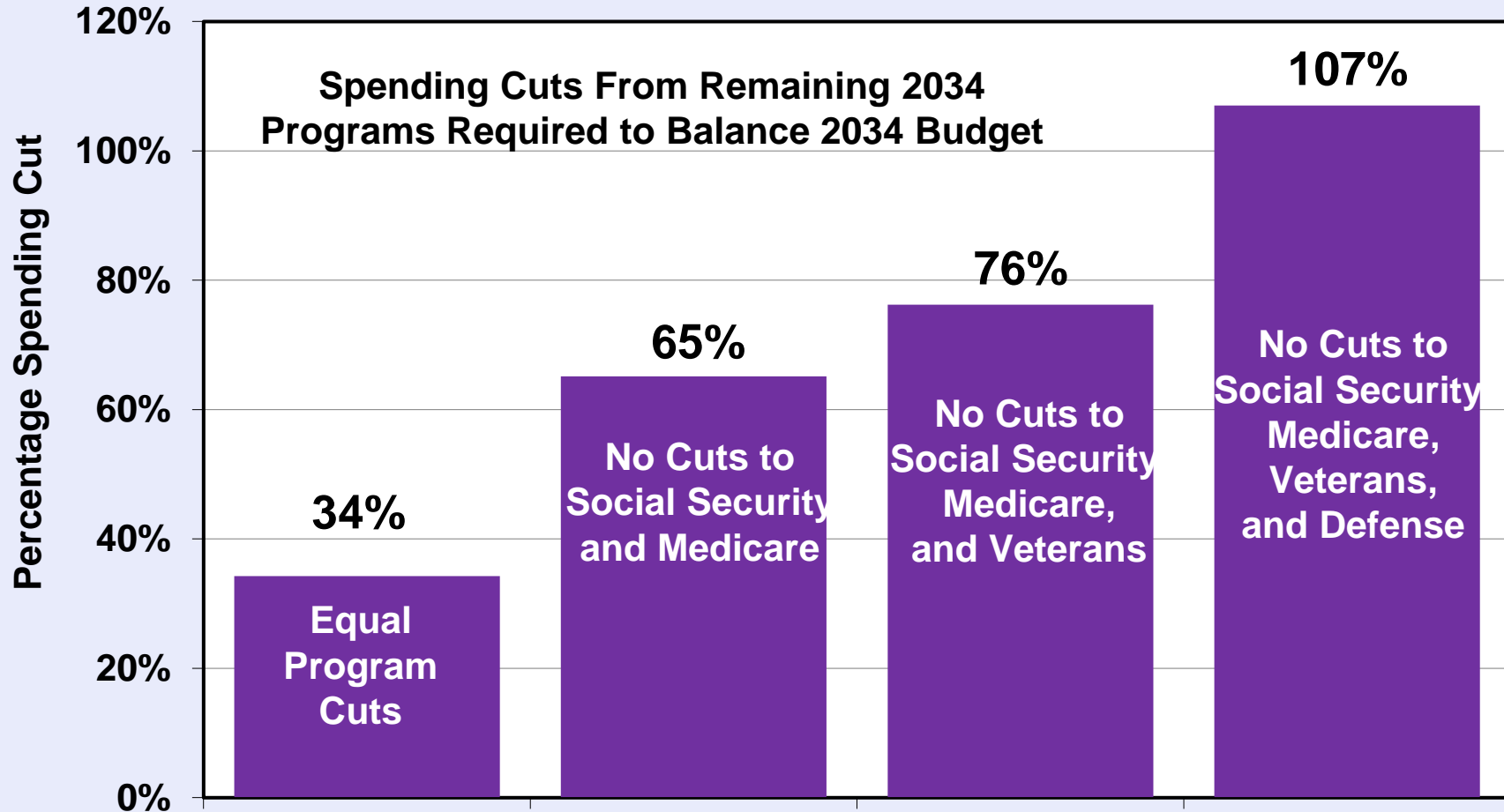
Source: Calculations using CBO 10- and 30-year baselines, adjusted for current-policy tax cut and spending extensions.

No, Foreigners and Immigrants *Are Not* Driving Soaring Spending

2025-2034 Projected Outlays

| Category	$Trillions
Social Security	$20.0
Net Interest	$13.7
Medicare	$12.9
Defense	$9.9
Foreign Aid	$0.5
Ukraine Aid	$0.3
Immigration Surge	$0.2

$Trillions

Source: CBO Baseline adjusted to extend current policies. Assumes Ukraine aid ($65 billion annually) levels off around $300 billion.

75% of Federal Spending Goes to Just 6 Items

- Social Security (23%)

- Medicare (13%)

- Medicaid (9%)

- Defense (12%)

- Veterans (4%

- Interest (14%)

DOGE Has Not Shown It Can Significantly Reduce Spending
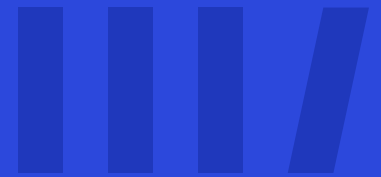
Establishing and Implementing the President's "Department of Government Efficiency"

Executive Order, January 20, 2025

This Executive Order establishes the Department of Government Efficiency to implement the President's DOGE Agenda, by <u>modernizing Federal technology and software to maximize governmental efficiency and productivity.</u>

Sec. 3. DOGE Structure. (a) *Reorganization and Renaming of the United States Digital Service.* <u>The United States Digital Service is hereby publicly renamed as the United States DOGE Service (USDS) and shall be established in the Executive Office of the President</u>.

…The U.S. DOGE Service Temporary Organization <u>shall terminate on July 4, 2026</u>

DOGE's First Month of Missteps

- Promising as much $2 trillion in immediate budget savings.

- Executive order freezing federal assistance quickly rescinded, blocked by judge.

- Website claiming $55 billion in savings riddled with math and accounting errors.

- Falsely attacking USAID as a money-launderer buying off American reporters.

- Falsely claiming the U.S. sent Gaza 1.5 billion condoms at a cost of $50 million.

- Misreading Social Security database to assume millions of dead recipients.

- Deleting "equity" from IRS tax handbook because DOGE thought it meant DEI.

- Demanding (and OPM rescinding) demand that nearly all federal employee email DOGE a job justification within 48 hours or be fired.

- Attacking numerous federal grants based on misunderstanding their purpose.

- Accidentally firing and then rehiring top-clearance nuclear weapons workers and bird flu trackers.

- Firing probationary federal employees for incompetence because they misread "probationary" as "low-performing" rather than "hired less than a year ago."

Other Legal and Administrative Concerns

Who is in Charge of DOGE?

- Elon Musk is seemingly making decisions, but Trump says he's not the director.

- DOGE seems staffed with a lot of Silicon Valley alums with no experience in federal accounting – and no clearance for confidential personal information.

Legal Issues

- DOGE cannot legally alter enacted spending laws or unilaterally reduce agency spending authority – that requires Congress to pass new legislation.

- Elon Musk has been given extraordinary authority despite no Senate confirmation, no legal oversight, no official clearance to access Americans' confidential financial data, and several business conflicts of interest.

- Courts have already begun blocking policies such as the cancellation of DEI contracts as government viewpoint discrimination.

Real Savings Unlikely to Materialize

Highly Exaggerated Savings

- Trillions in savings have been promised: $4 billion per day.

- DOGE website claims $55 billion saved based on basic math and accounting errors – true savings are likely closer to $2 billion (or 0.03% of federal budget).

- Even those savings are legally required to be spent elsewhere unless Congress passes a rescission bill to take back the spending authority.

Targets Unlikely to Provide Large Savings

- DEI contracts and Politico Pro subscriptions are essentially budget dust.

- Implausibly firing 25% of federal employees would save just 1% of budget.

- USAID is 0.6% of budget and cannot legally be impounded.

- Firing Inspectors General and taking federal spending data offline is not encouraging.

- Real savings are in Social Security, Medicare, defense, veterans, and interest.

Concluding Thoughts

Thus Far, DOGE has Done Little to Inspire Confidence

- Musk and his team seem far out of their depth on federal budget and accounting.

- DOGE can legally reprogram some funding but *cannot* cancel enacted spending.

- Targets reflect low-savings culture war totems and "spending cut performance art."

- Aggressive budget savings require Congress to cut popular programs like Social Security, Medicare, Medicaid, defense, veterans, and interest. Highly unlikely.

Perhaps Budget Savings or Efficiencies Are Not the Real Goal?

- Elon Musk is securing access to taxpayer information and proprietary government software and is positioned to expand his govt. contracts and hurt competitors.

- For the White House, firing "disloyal" federal employees removes a perceived obstacle to its policies and motivates remaining Feds to show loyalty to Trump.

- The MAGA voter base enjoys the "spending cut performance art."

- While DOGE **loudly** saves a tiny 0.03% of federal spending, the GOP Congress is working to *quietly* add trillions in new tax cuts and spending.