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Paul Ryan presents "The Path to Prosperity"

Wed, 04/06/2011 - 10:18am | posted by Jason Pye

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The big news yesterday was the budget, which you can read [here](#), presented by House Budget Committee Chairman Paul Ryan (R-WI), which would cut anywhere between \$5.8 to \$6.2 trillion (depending on the news story you're reading) over the next 10 years:

House Republicans on Tuesday unveiled a far-reaching budget proposal that cuts \$5.8 trillion from anticipated spending levels over the next decade and is likely to provide the framework for both the fiscal and political fights of the next two years.

The ambitious plan, drafted principally by Representative Paul D. Ryan, the Wisconsin Republican who chairs the Budget Committee, proposes not only to limit federal spending and reconfigure major federal health programs, but also to rewrite the tax code, cutting the top tax rate for both individuals and corporations to 25 percent from 35 percent, reducing the number of income tax brackets and eliminating what it calls a "burdensome tangle of loopholes."

Ryan took to the *Wall Street Journal* to explain this budget:

Our budget, which we call The Path to Prosperity, is very different. For starters, it cuts \$6.2 trillion in spending from the president's budget over the next 10 years, reduces the debt as a percentage of the economy, and puts the nation on a path to actually pay off our national debt. Our proposal brings federal spending to below 20% of gross domestic product (GDP), consistent with the postwar average, and reduces deficits by \$4.4 trillion.

A study just released by the Heritage Center for Data Analysis projects that The Path to Prosperity will help create nearly one million new private-sector jobs next year, bring the unemployment rate down to 4% by 2015, and result in 2.5 million additional private-sector jobs in the last year of the decade. It spurs economic growth, with \$1.5 trillion in additional real GDP over the decade. According to Heritage's analysis, it would result in \$1.1 trillion in higher wages and an average of \$1,000 in additional family income each year.

The plan freezes spending to below 2008 levels for five years, reforms Medicare and Medicaid, reforms the budget process and, as noted above, reforms the tax code. In an excellent video released with the proposal, Ryan explains that without these reforms, the nation's prosperity will be put at serious risk:

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Chris Edwards, an economist with the Cato Institute, praised the budget proposal in an editorial at the *National Review*:

As a first step toward budget sanity, Ryan proposes further cuts to discretionary spending beyond those currently being debated. However, his main focus is on transforming the so-called entitlements. He would transition Medicare from the current Soviet-style system to one based on consumer choice. Instead of a system based on payments to health-care providers, new retirees would receive a "premium support" payment to buy a private insurance plan of their own choosing.

That reform would allow Congress to directly limit taxpayer costs, while encouraging providers and patients to reduce inefficiencies in the system. It would also improve the quality of care through more competition. Without such reforms, rising costs will likely compel Congress to start rationing care to seniors and making other cuts that would seriously distort the health-care system.

For Medicaid, food stamps, and other federal-state aid programs, the Ryan plan embraces block grants. The states would receive a fixed pot of money, but be given more flexibility on program design. That would end incentives for states to over-expand their programs with "free" federal dollars. Block granting was the successful approach of welfare reform in 1996, and it should be warmly received by today's large group of conservative governors. [...]

Paul Ryan has proposed a fiscal reform structure that should win broad political support. Moderates can take comfort that the premium support idea for Medicare reform is endorsed by prominent Democratic economist, Alice Rivlin. Fiscal conservatives can take comfort that the Ryan plan is a step toward even larger spending and tax reforms. Block granting, for example, can be a step toward fully devolving programs such as food stamps to the states, and the Ryan tax plan can be a first step toward a flat tax.

Political leaders keep saying that we need an "adult conversation" on federal budget reforms. Republican Ryan has started that conversation, and now it is up to Democrats to put aside their childish rants about "extremism" and offer up their own plan to avert the coming fiscal disaster.

While different aspects of the budget proposal are already being slammed by Democrats, including the plans to reform Medicare and Medicaid, Erksine Bowles (D) and former Sen. Alan Simpson (R) - co-chairs of President Barack Obama's fiscal commission - called Ryan's budget a "credible plan" and a "positive step."

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As usual this article feels like half the story. Tax reform rarely means just that. It sounds like a nice name for tax cut for some. Funny how that seems to be the rich and the corps these days.



Anonymous on *Wed, 04/06/2011 - 11:16am.*

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This "path" is a joke. It's filled with all kinds of dreamy growth and unemployment numbers that are a complete fantasy. Ryan's deficit reduction numbers stem from those incredibly dishonest and laughable growth and unemployment assumptions, so they're a complete farce as well.

Ryan assumes that unemployment will decline by 2% in 2012 by only creating 900,000 jobs, which makes no sense. That's leaving aside the fact that Ryan doesn't say how those jobs will be created. He just assumes they will be.

He appears to base all of this optimistic unicorns-and-rainbows stuff on the assumption that huge tax cuts will magically create all those jobs and drive up growth and reduce the deficit. Never mind that that has never actually happened in real life. The Bush tax cuts drained the treasury, didn't stimulate growth by any stellar amount and didn't lead to a boom in job growth. Ryan is just making stuff up again.

I find it curious that you support this, given that you blasted "Obamacare's" \$500 billion Medicare savings. Ryan cuts \$400 billion in the short term (those are real cuts to benefits, not savings from ending subsidies to private insurers, which is what the health care bill did), and abolishes the program altogether in the long term. The private insurance market has already shown twice that it can't provide the answer to seniors' health care needs in an affordable way. That's why Medicare exists in the first place. Why should we believe that a voucher worth a pittance will magically solve the problem?

I don't expect you to provide any substantive answer, by the way. Your track record of childish taunts and petulant foot-stomping wouldn't support such an expectation.



Jim on *Wed, 04/06/2011 - 11:39am.*

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I took issue with the fuzzy math dealing with Medicare (even the Medicare Actuary pointed this out), not the cuts. In fact, I'm on record supporting Medicare cuts and blasting Republicans for demagoguing the issue.

Thanks for playing.



Jason Pye on *Wed, 04/06/2011 - 12:18pm.*

[reply](#)

That's a nice try at revisionism, but as I've mentioned before, you've been on both sides of this issue. You blasted the "cuts" and then later said that the bill didn't save any money because the "cuts" would either never happen or were based on phony numbers. You've tried to have it both ways on this as I've pointed out many times before. Thanks for playing, indeed.



Jim on *Wed, 04/06/2011 - 12:37pm.*

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Ryan's plan for prosperity ignores a fundamental requirement for balancing the budget: revenues. George Bush Sr. signed into law legislation that led to a near-balanced budget during the Clinton years... what did GB1 do?... he imposed tax INCREASES on the wealthiest Americans to increase revenue in addition to any cost cutting measures. This tax increase

(which he famously went against his campaign promise of "no new taxes") cost him his job, but gave us the best real growth period (and low-to-zero deficits) for the coming years, until his son GB2 unwound those tax-cuts and pushed us to the brink.

And now Ryan seems to forget history; certainly he wants all of us to forget it! We can have real prosperity with tax-levels as high as they were after President George Bush I implemented those tax increases. US economic growth and job growth was fantastic during those years! Ryan's plan is a near guarantee to bankrupt this country in the same way that the GB2 tax-cuts (and massive spending) did. I can not support a plan that will slash social programs while handing massive tax-cuts to the wealthiest Americans... I CAN support a program that makes reasonable cuts to social programs and restores taxes to Clinton-era levels (the levels President Bush I signed into law), since THAT could really begin to restore fiscal discipline and help balance this budget.

No more of these ridiculous "permanent tax cuts (for the wealthiest) arguments... there is no proof they will do anything. Keep in mind: taxes HAVE been lower for the past decade and yet we are in the worst fiscal shape EVER. But, people are quick to ignore history when it does not suit their purposes.

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Mike on *Wed, 04/06/2011 - 12:09pm*.

Mike is right, of course. The tax rates were higher under Clinton and we enjoyed a booming economy, increased revenues and 22 million new jobs. After they were cut, we enjoyed a pathetic 3 million new jobs, stagnant wages, increased poverty, huge deficits, etc. This was after we were told by conservatives and libertarians that the exact opposite would happen in both cases.

Supply side doesn't work and never has. Yet Ryan's budget bases all of its numbers and predictions on the laughable theory that tax cuts will unleash huge growth and bring unemployment down to 2.3%, all while balancing the budget. It didn't work in the past and won't work again. Praise this budget all you want, but it's not a serious answer to our country's problems. It's red meat to supply-side cultists who believe in statist economics and want to rob the vast majority of Americans of their economic freedom.

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Jim on *Wed, 04/06/2011 - 12:43pm*.

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