Ryan Comments on Distribution Draw Range of Responses

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House Speaker Paul D. Ryan, R-Wis., sparked various responses from lobbyists and tax scholars after saying in a recent interview that he does not believe that policy proposals should be influenced by distributional tables, which depict how the tax burden is dispersed among income groups in the United States.

"I do not like the idea of buying into these distributional tables. What you're talking about is what we call static distribution. It's a ridiculous notion," Ryan told CNBC's John Harwood on March 17. He continued, "What it presumes is life in the economy is some fixed pie, and it's not going to change. And it's really up to government to redistribute the slices more equitably. That is not how the world works. That's not how life works. You can shrink or expand the economy, and what we want to maximize is economic growth and upward mobility so that everybody can get a bigger slice of the pie."

William Signer, executive managing director of the Carmen Group, told Tax Analysts that Ryan was accurate about the use of distributional tables, but the perception of inequality poses problems for the Republican Party and their opponents during an election year.

"While Ryan is correct -- distribution should not be static, and things change -- there would be an optics issue if revenue neutrality resulted in those with higher income brackets having a significantly lower tax burden as a result of reform," said Signer, adding that "this has been an issue for both sides during the campaign."

Howard Gleckman of the Urban Institute said in a March 23 blog post for the Tax Policy Center that Ryan "cleverly conflates two ideas: By raising the notion of 'static distribution,' he describes the growth and distribution effects of tax policy as if they are the same thing. They are not."

Chris Edwards, director of tax policy studies at the Cato Institute, told Tax Analysts that Congress should push to incorporate distributional tables that include growth effects based on tax changes, commonly referred to as dynamic scoring. Edwards said that static distributional tables pose problems because the resulting data can easily be manipulated to serve a stakeholder's best interest.

Data issued by organizations like the Tax Policy Center are in the form of static distributional tables, based on a "slice in time," but some agencies including the Congressional Budget Office have the ability to include the growth changes, Edwards said, adding that static tables and lifetime distribution tables can show very different pictures of economic growth, especially related to consumption-based taxes.

"Consumption-based taxes look very bad on these slice-in-time distribution tables, but actually

seem successful in distribution tables over a lifetime," Edwards said.

Matt Gardner, executive director of the Institute on Tax and Economic Policy, said that while the arguments between static distribution over a lifetime and dynamic scoring is the heart of the issue, static analysis is the one that "gets right to the heart of claims that lawmakers are pitching when proposing tax breaks. Policymakers focus primarily on who gets the tax cut."

"Static distributional tables are the bedrock of economic analysis for tax plans," Gardner said. "Anything else is speculative at best, and more often worse."

Gardner said that Ryan's disregard for static analysis, which the Institute on Tax and Economic Policy relies on for its research, makes his comments on seriously improving economic growth seem disingenuous.

"You can't evaluate the long-term effects without having a grip on the short term. It matters a lot who you give tax cuts to right now," Gardner said.

Jared Bernstein of the Center on Budget and Policy Priorities, in a March 18 op-ed in *The Washington Post*, criticized Ryan's view on distributional tables and his promoting of a traditional conservative policy in which the wealthy shoulder a lesser portion of the tax burden.

"In this regard, distributionally neutral tax plans are actually a low bar. What many would like to see is more progressive tax reform to offset some of the increase in pretax inequality," Bernstein wrote. "We can argue whether that's a reasonable desire, but I find it very hard to argue a) what people really want is the opposite: more regressive tax plans, or b) families would be better off if they didn't know the impact of tax proposals on their incomes."

James Pethokoukis of the American Enterprise Institute was also critical of the House speaker in a March 18 guest column in *The Week* that addressed the rise of Republican presidential candidate Donald Trump. "Not only does Ryan's position [on significant tax cuts for the wealthy] clash with the Trumpist truths of 2016 -- his position makes little sense from a policy standpoint," he wrote. That type of policy affirms the idea that the Republican Party leadership is disconnected from its voters and has allowed a "populist candidate" like Trump to command the race for the GOP presidential nomination, according to Pethokoukis.