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What The Ryan/Republican Budget Teaches Us

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When House Budget Chairman [Paul Ryan](#) unveiled his latest budget proposal earlier this month, political commentator/consultant Dick Morris warned Republicans against it, arguing that passing it would cause them to lose control of the House of Representatives to [Nancy Pelosi](#) and the Democrats in this November's elections.

To their credit, Republicans ignored Morris' advice and adopted the proposed budget (a budget that has zero chance of being enacted as long as Harry Reid controls the Senate and Barack Obama the White House). Let me rush to say that I have serious problems with the Ryan plan (details forthcoming momentarily). However, it would have heralded doomsday if Republicans had taken Morris' position that it would be political suicide to vote for Ryan's budget. Morris believes that a majority of voters will punish Republicans for adopting a budget designed to slow the growth of federal spending and to reform the giant entitlement triad of Social Security, Medicare, and Medicaid as a necessary step to restoring fiscal balance to the federal budget.

Here's the problem with Morris' line of thought: If, in fact, voters are decisively opposed to reining in federal spending, then there is no hope of avoiding a day of reckoning when Uncle Sam's bankruptcy leads to some combination of financial crackup, Fed-generated monetary debasement, and increasingly centralized control (perhaps via explicit nationalizations of key firms and industries). In other words, if Morris was right, then following his advice to concede that overspending is here to stay might save a few Republican seats and possibly preserve their majority in the House, but would result in the Democrats' agenda reining supreme. Does it really matter which party is on top in the House if the inevitable policy direction is fixed on the dire destination of an unsustainable orgy of overspending? For Republicans to have rolled over and played dead on such a crucial point would have been a spineless abdication to an irresponsible, destructive course of action.

At the same time, while I congratulate the Republicans for avoiding total surrender, it's hard to say they deserve three cheers. One analysis of the Ryan budget concluded that it would allow federal spending to increase at a rate of 3.4 percent a year. Given the crushing regulations that Team Obama's bureaucracies keep churning out, the uncertainties over Obamacare, and other

potential x-factors, there is a good chance that the private sector won't be able to grow as consistently fast as the federal government. This is not austerity, much less a radical proposal. It certainly doesn't come close to the amazingly effective policy of President Warren Harding when he cut federal spending nearly in half in two years and gave birth to the boom times of the Roaring Twenties.

After decades of big lies about FDR saving the economy (when, in fact, [he prolonged Hoover's depression](#)) and that [Harding](#) was a terrible president (despite having had the [most effective economic policy](#) of any 20th century president) the American electorate may not be ready to listen to a politician proposing to reduce federal spending, but making 3.4 percent spending growth his starting point is, in some ways, a defeat for conservatives. Just a few days before the House Republicans adopted the Ryan proposal, The Wall Street Journal published an [important article](#) by Cato Institute economist Daniel J. Mitchell, providing evidence that various countries (e.g., Canada, Germany, Sweden, Latvia, Ireland, Slovakia, Singapore, Italy, Taiwan, the Netherlands, Iceland, and others) all achieved periods of economic vitality as a reward for restraining government spending growth considerably below the 3.4 percent rate proposed by Ryan (ranging from Sweden's +1.9 percent to Latvia's -4.0 percent). What a shame that Ryan's proposal for reining in federal spending in the U.S. falls short of what has shown to work.

Those of us who recognize the dangers of Big Government may be dismayed that the most "conservative," "right wing" proposal out there calls for federal spending to continue to increase at 3.4 percent per year. That shows how far we are from changing our country's political direction. Even more telling, though, is that not a single House Democrat voted for Ryan's budget. They uniformly believe that such a rate is too low. I'd be interested to know if any of them think that any rate of growth in government spending would be too high for them. In most cases, I don't think there is an upper limit to how much of America's economic activity they want the government to control.

The Ryan budget may be purely symbolic, a toothless political gesture, but it sure reveals a lot about the nature of the political landscape today.