

## The Right Step from Ryan

*The House budget has its flaws, but real virtues, too*

By: Michael Tanner – March 13, 2013

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In the kingdom of the blind, according to Erasmus, the one-eyed man is king. And in a land of big spenders, the budget proposed yesterday by Representative Paul Ryan is a model of fiscal rectitude.

Let's be honest about one thing: The budget introduced yesterday has about as much chance of becoming law as Nancy Pelosi does of being elected pope.

And of course Ryan's budget relies on a veritable garden's worth of rosy assumptions in order to reach balance, including the repeal of Obamacare and GDP growth of slightly more than 3 percent. Either or both could happen, but I wouldn't bet the farm on it.

But at least it is a budget. It has now been more than four years since the Senate produced such a document. While Senate Democrats have pledged to do so this year, recent reports suggest that they are struggling to come up with a plan that can garner support from a majority of their members. Meanwhile, President Obama now says that he may not send a budget plan up to the Hill until the middle of April, despite the fact that the Congressional Budget Act of 1974 requires it to be delivered to Congress no later than the first Monday of February. Give Ryan points, then, for at least doing his job.

More important, the Ryan budget provides a view of Republican priorities and their vision for how to increase economic growth, reform entitlements, and balance the budget. While timid and imperfect, Ryan's plan shows that Republicans are at least looking in the right direction.

Ryan accepts the \$600 billion in tax increases resulting from the fiscal-cliff deal, but rejects any new tax hikes going forward. It also includes pro-growth tax reform — lowering rates while broadening the base.

On the spending side, Ryan would mostly retain the sequester, and would further reduce spending by \$5.7 trillion from the current ten-year baseline, bringing the budget into balance by 2023.

However, while we can undoubtedly look forward to news stories about how Ryan would slash spending, his budget doesn't actually cut spending at all; it merely slows the rate of growth. Indeed, under Ryan's proposal, federal spending would still grow by an average of 3.4 percent every year. By 2023, we would be spending \$1.4 trillion more than we do today. Indeed, spending under Ryan's budget never drops below 19 percent of GDP, a higher proportion of the economy than it was under Bill Clinton.

Ryan's budget would leave us with roughly \$20.85 trillion in debt in 2023, which is \$5.29 trillion lower than under the current baseline but still a \$4.15 trillion increase over

what we currently owe. Of course, if we are able to maintain a balanced budget beyond 2023, which will likely require entitlement reforms beyond what Ryan has proposed, we will then begin paying off the debt. Ryan envisions paying off the entire debt by 2050.

Ryan is hardly taking an ax to federal spending. But compared with the plans of President Obama and Senate Democrats, Ryan's budget looks like the Texas chainsaw massacre.

According to Senator Patty Murray (D., Wash.), chairwoman of the Senate Budget Committee, if Democrats ever do put forward a budget, it will not even attempt to reach balance. It will, however, raise taxes by roughly \$1 trillion.

And, if you use President Obama's last budget proposal as modified by his sequester-replacement plan as a baseline, Ryan offers \$1 trillion less in taxes, \$6.2 trillion less in spending, and \$5.2 trillion less in debt over the next ten years.

Ryan's plan also begins the difficult process of entitlement reform. The president talks about making some minor changes to Medicare and Social Security, including adopting chained CPI (a different index of inflation) and means-testing Medicare premiums. But these just trim around the edges.

Ryan, on the other hand, would make much more fundamental changes. As with Ryan's past budgets, his new one offers a premium-support option for Medicare starting in 2024.

The budget would also block-grant Medicaid and food stamps (the latter would be reformed more gradually, as the unemployment rate decreases), and reform civil-service pensions by requiring increased contributions from federal workers.

Unfortunately, however, Social Security is not really addressed, aside from calling for the president and Congress to come up with solutions. This omission makes Ryan's optimistic long-range budget projections all the more suspect.

*Washington Post* columnist Eugene Robinson writes that Ryan's budget shows that he "cares less about deficits or tax rates than about finding some way to dramatically reduce the size of the federal government." Well, besides the "dramatically" part, there is something to that. As Ryan says, "balancing the budget is a means to an end," that end being a growing economy and freer, more prosperous society.

That's another reason the latest Ryan budget is a step in the right direction.