

What if the GOP embraced Paul Ryan's entitlement plan?

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Because the number of Social Security and [Medicare beneficiaries](#) is growing much faster than the number of taxpayers, those entitlements are headed toward bankruptcy. Social Security trustees reported that permanent, escalating Social Security deficits will begin in 2015. Medicare trustees have said Medicare's situation is "much more severe."

Accordingly, Paul Ryan, a Republican congressman from Wisconsin, has proposed a comprehensive "[Roadmap for America](#)" that among other things would (1) enable people to channel a third of their payroll taxes into private retirement accounts that Congress could never raid; and (2) convert Medicare into a defined contribution program with health care vouchers, so consumers could shop competing providers. Ryan recommends across-the-board [tax cuts](#) to help energize the economy. There's much more in the plan, but this isn't the place for details.

Republican leaders are afraid to support Ryan's plan, because in the past they have been pounded by Democrats for recommending entitlement reforms. But just suppose Republican leaders did embrace Ryan's plan. What then? Democrats would attack the GOP as they have attacked Ryan. The more than 50 million Social Security and Medicare beneficiaries would flock to the Democrats. Republican support for the Ryan plan might be Obama's best shot at winning a second term in 2012.

For a while, Obama might rule like a king. He would continue to pursue his progressive dream of runaway spending, taxes, debt, regulations, bailouts and nationalizations. He might gain a Supreme Court majority that would trash constitutional limitations on government power, putting Democrats in a position to dominate the country for a long time. Admiring historians might hail Obama as a political genius, and he might feel flattered to be compared with the Mughals in India, the Safavids in Persia, the Mamluks in Egypt and the Mings in China, each of whom ruled for more than 200 years.

But there would be some complications. Obama would be under intense pressure to reward seniors who did so much to give him his 2012 victory, and he would make the entitlements even more generous than they already were. Entitlement spending would skyrocket and account for over 80 percent of federal spending, squeezing out other programs – even food stamps.

Obama would try to finance his runaway spending by raising taxes repeatedly like his hero FDR who tripled taxes during the Great Depression. But a funny thing is likely to

happen: the number of tax returns would decline, starting with filings by millionaires. Initially, millionaires would try to reduce their [tax liabilities](#) by moving from high-tax states to low-tax states, but crushing federal tax burdens would lead to their mysterious disappearance. They might be part of the booming underground economy, or they might have retired early, or they might have relocated offshore or adopted some other tax-saving strategy. In any case, as taxes reach confiscatory levels, tax revenue would fall.

The Federal Reserve, which in 2010 began routinely creating new money out of thin air to fund federal [budget](#) deficits, would almost certainly pump ever larger quantities of money into the economy. Inflation would become front-page news, and people would scramble to keep up with it since pay tends to lag behind inflation. Obama, in an effort to show that he's "doing something" about inflation, would impose price controls, wage controls, profit controls, exchange controls, import controls, rationing and other restrictions.

These don't stop inflation, but they would throttle the economy, and unemployment would surge, perhaps over 25 percent. Obama wouldn't be able to avoid the bankruptcy of Social Security, Medicare and [Medicaid](#) as well as federal agencies that guarantee bank deposits, home loans, student loans, export loans and pensions. Obama might have to default on foreign loans and make humiliating concessions to the Chinese. Such a financial crisis would be likely to provoke chronic strikes and violence.

By this time, it would be clear that big spending Democrats as well as Republicans were intellectually bankrupt. Obama might be ridiculed as another Juan Perón, the spendthrift Argentine who ran his formerly rich and proud nation into the ground. Something like Ryan's much-reviled plan might be the only option for impoverished seniors. A few people might realize that everything would have been easier if it had been adopted before the economy was wrecked, but of course that was politically impossible.

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