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Morning Bell: Chairman Ryan's Budget Resolution Changes America's Course

Posted By [Alison Acosta Fraser](#) On April 5, 2011 @ 9:56 am In [Entitlements](#) | [5 Comments](#)

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America needs to change course. Our current direction is fiscally and economically unsustainable and politically and culturally bankrupting. It is threatening the well-being and future of our country.

House Budget Committee Chairman Paul Ryan's (R-WI) budget proposal, for the first time in recent memory, sets our nation on a different and better path. It tackles the massive spending excesses of the recent past and the entitlement crisis that is beginning to command our fiscal future. It rejects the politics of government dependence, massively higher taxes and the inevitability of national decline. No budget in decades has had the potential for so fundamentally improving the nation's prosperity and restoring its vast promise. This is a monumental budget proposal for monumental times, and it opens a serious and necessary conversation about the future of our nation and its great legacy of freedom, opportunity, and self-government.

Chairman Ryan's path toward solving the twin crises of spending and debt is achieved through real spending reductions and reforms—not new taxes or higher rates. The proposal includes welcome changes to the budget process, which, after all, is partially responsible for allowing spending to explode. This budget pares back non-security discretionary spending—the small part of the budget that Congress actually writes a budget for—and tackles other parts of the budget such as farm subsidies and the federal bureaucracy. The budget also repeals Obamacare. Most crucially, Ryan's budget tackles entitlement programs with transformative changes in Medicare and a solid approach to controlling Medicaid's spiraling costs. These changes will result in a stronger and bigger economy with more job creation, more savings and investment, and higher household incomes.

Ryan's budget resolution proposal brings non-security discretionary spending back below 2008 levels and then freezes it for five years. The budget cuts corporate welfare, rolls back Pell grants, reduces the size of the federal bureaucracy by 10 percent, and reforms federal workers' compensation. It also reins in mandatory spending by addressing food stamp spending and trimming farm subsidy programs that predominantly go to large agribusinesses; they cost taxpayers \$25 billion annually even as farm incomes climb.

For Medicare, Ryan creates a new premium-support program for all future retirees in 10 years. With a premium-support program, each Medicare enrollee would get a fixed government contribution to the health plan of his or her choice. That is essentially the system that Members of Congress themselves enjoy. Health plans and providers would be compelled to compete directly for enrollees' dollars. The record shows that this approach to reform would control the growth of health care costs while increasing patient satisfaction. For good measure, the Ryan budget guarantees cost control through a cap on the growth rate of Medicare spending.

The Ryan budget puts Medicaid on a more fiscally sustainable path for both federal and state taxpayers through a block grant. The proposal replaces the open-ended financing arrangement with a fixed federal contribution to the states. In exchange, states would have greater flexibility to design their programs to better serve those in need. As Congress fills in the details, the best way to implement Ryan's budget changes would be to mainstream moms and kids from the poorly performing Medicaid program into more popular private health insurance options and then focus on delivering more patient-centered care to the disabled and elderly.

The Ryan budget would finally begin to take entitlements off autopilot, forcing Congress to consider the long-term costs of new entitlement programs beyond just the 10-year window. Importantly, the Ryan budget would lock in savings and require continuous cuts with multi-year enforceable spending caps not just on discretionary spending but on total government spending.

On the tax side, the budget resolution focuses on economic growth by reducing key tax rates. The plan reduces the highest-in-the world corporate tax rate from 35 percent to 25 percent and the top individual income rate to the same level. The lower corporate tax rate would reverse the flow of jobs to foreign countries, and the lower individual income tax rate would improve incentives for workers and businesses to produce more and for investors and businesses to create new jobs.

Like any budget plan, which is the result of give and take, there are also elements in this plan that are missing and places where it is deficient. America's prosperity depends on the security we provide. This budget proposal rightly does not recommend pulling back on America's military commitments. This creates a challenge; the defense funding in this budget is inadequate. Lawmakers must fully fund forces to protect America and its interests around the globe. Doing so requires an average of \$720 billion per year (to be adjusted for inflation) for each of the next five fiscal years, plus funding for ongoing contingency operations. Without a strong national defense, America cannot reap the benefits of a strong economy.

Although this budget does rein in welfare spending on Medicaid and food stamps, it continues to approach the rest of the \$950 billion welfare system in the same piecemeal fashion of the past. More notably, Ryan has not touched Social Security, preferring instead to fast-track solutions outside the budget process. He has also opted to essentially grandfather the grandparents: Benefits for those in or near retirement will not be touched. That also means that spending reductions will come slower than they might otherwise. Will we exempt so many baby boomers from contributing to the most urgent economic problem we face? While it is politically difficult to consider benefit changes for this group, it is virtually impossible to balance the budget within the near term without doing so. This is a discussion we must have as a nation.

But in the end, let's remember where we are and what Chairman Ryan has accomplished. Last year, neither the House nor the Senate passed a required budget resolution. This year, President Obama proposed a budget that more than doubles the national debt. In the first budget of the new Congress, Chairman Ryan has forged a serious path to fix our nation's fiscal and economic crisis. The House, the Senate, and the President must now do their part so that we may reclaim our nation's future.

Click here to read our [Economic Analysis of the House Budget Resolution by the Center for Data Analysis](#) ^[1].

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[6] it has detained the shadow Taliban governor: <http://www.washingtonpost.com/world/nato-says-it-has-detained-taliban-shadow-governor-in-north-afghanistan/2011/04>

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