



When Wonks Attack: The Politicized Analyses of the Ryan Roadmap

Christopher Papagianis and Jennifer Pollom | March 12, 2010

Citizens often wonder why politicians in Washington D.C. struggle to solve problems recognized by both parties. Both sides are clearly to blame, but few elected officials offer substantive solutions – that stand above the partisan fray. For an example of what is so wrong with the process, one need look no further than the latest series of attacks on the “Roadmap for America’s Future” offered by Congressman Paul Ryan (R-WI). Ryan’s plan has been circulating for the past few years, but has recently caught the attention (and ire) of many in Washington. No matter if you agree with all the components of Ryan’s plan, the recent attacks are a prime example of why substantive solutions no longer seem to be welcome inside the beltway.

Nearly everyone agrees that the federal government is currently on an unsustainable fiscal course. Analysts from the left to the right concur that the essential reason is uncontrolled growth in federal entitlement spending – driven primarily by health care cost inflation and an aging population. If future generations are to be spared tax burdens which will be far higher than today’s, the nation cannot continue down the current fiscal path – a path that commits Americans to paying every senior exponentially increasing retirement and health benefits, for a longer and longer period of years.

Serious proposals to repair this situation are unfortunately few and far between. Washington in the last several years has become more concerned with partisan victories than solving clearly identified national problems. Congressman Paul Ryan has

recently offered a plan to restore the fiscal health of the nation. Whether you like or dislike the plan, the Congressional Budget Office has projected that the Ryan proposal would correct the federal government’s long-term fiscal imbalance. Unfortunately, the “standard process” in D.C. dictates that it should be attacked immediately, regardless of merit.

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To achieve fiscal health, Ryan offers explicit, responsible and often tough choices. The costs of excess health care cost inflation would be divided between taxpayers and beneficiaries. Social Security benefit growth for the wealthiest Americans would be limited to the rate of inflation. Spending growth in all other areas of the budget would be sharply constrained.

It is neither surprising nor unwelcome that criticisms of the proposals should arise. More troubling, however, is when misleading political attacks are dressed up in the guise of serious factual analyses. While not wholly uncommon, unfortunately it is happening here.

When the Obama Administration didn’t like the fiscal analyses of the health care bills produced by CBO, it promptly paid for a competing analysis of its own – and then pointed to that same source as independent “verification” of its claims that the Congressional bills would save money. In virtually



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no time at all, advocate after advocate after advocate began echoing this line, with virtually no dissection of its substantive merits.

That song may be gone, but its melody still lingers on. Now that CBO has reported on the Ryan Roadmap, America is once again seeing an industry of outside analyses, purporting to show that the proposal would have disastrous fiscal effects regardless of what CBO says. Once again, the usual cast of suspects has lined up to echo the claims. And once again, they've haven't done their homework.

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Energetic political advocacy is every American's right. But there is a reason why we have specifically nonpartisan entities such as the Congressional Budget Office, the Joint Committee on Taxation (JCT), and the Offices of the Social Security and Medicare Actuaries, which are tasked with reporting the straight math. They are all here to help us separate reckless partisan advocacy from objective factual analyses.

When a purported analysis has, within its title, several phrases that would appeal to William Randolph Hearst, ("radical priorities," (!) "erodes health care," (!!)) and "privatizes Social Security," (!?!)) that should be a clue to even the dimmest reader that something less than objective is going on. Upon closer inspection many obvious errors in these analyses become clearer.

Let's start with the Social Security component first, since this is where the mistakes are most glaring. The CBPP analysis claims that the Ryan proposal would require \$4.9 trillion in general revenue transfers to

pay for personal accounts that it sensationally (but wrongly) says would "privatize" the program. In the footnotes, however, the CBPP acknowledges that it retrieved this figure from an earlier SSA analysis, which is not the Ryan Roadmap proposal.

CBPP asserts that CBO understates the true cost of the Ryan proposal because the government would "guarantee" the inflation-indexed value of contributions made to personal accounts. CBPP further argues that the "guarantee" subjects the government to a bailout risk and alleges, "These potential bailout costs. . . are not reflected in the CBO estimates that Rep. Ryan cites when touting the plan's fiscal responsibility."

Unfortunately, this is incorrect. CBO did include the cost of the guarantee in its estimate, and was quite explicit about it. (See page 29: "The stochastic outcomes include outlays and benefit amounts from the guarantee in the event it is triggered.") The Ryan Roadmap in reality contains a much less expensive form of the "guarantee" than the one cited by CBPP. Rather than study the actual CBO score, CBPP unfortunately chose a number from a different proposal which inaccurately reflected the plan that's under discussion.

Moreover, CBO could not have been more explicit in refuting the CBPP charge that the Ryan proposal requires trillions in general revenues for Social Security: "The trust funds would remain solvent without transfers from the Treasury's general revenues throughout the projection period." (See p. 33 here.) In sum, virtually the entire Social Security section of the CBPP paper is based on flawed sources.

Secondly, let's examine Medicare. The reasons for the current excess health care cost inflation are relatively well known. They consist of the tax



preference given to health benefits over other forms of compensation, the heavy government subsidization of health care purchases, and the disconnection between consumer choices and the costs of services. The Ryan proposal addresses all of these by limiting and standardizing the tax exclusion for health insurance premiums (a popular and common policy proposal), increasing consumer price-consciousness through medical savings accounts, and constraining the larger growth of federal health care commitments.

In the past, CBPP has written that the existing income tax exclusion “makes the problem of high and rising health care costs somewhat worse, encouraging employers and individuals to purchase costlier coverage than they otherwise would,” and has referred to it as “the nation’s costliest tax subsidy.” But now that the Ryan plan has emerged, CBPP claims that limiting the exclusion would “cause a substantial decline in employer-based coverage.” The organization neglects to mention that the current reliance on employer-based coverage is driven primarily by comparatively unfair tax treatment of those who purchase health benefits on their own.

CBPP continues that “Overall, the plan’s cuts in Medicare, Medicaid, and Social Security...would be so severe that CBO estimates they would shrink total federal expenditures (other than on interest payments) from roughly 19 percent of GDP in recent years to just 13.8 percent of GDP by 2080.” Reality: the Ryan proposal structures the budget to spend roughly the same proportion of GDP on those entitlement programs in 2080 as is the case today (Social Security spending would be 5.1% of GDP in 2080 – slightly higher than today’s levels -- and Medicare 3.5%). The primary difference is that “other” spending (not Social Security, Medicaid, or Medicare) would be a smaller fraction of the economy.

Of course, if the nation wanted to have higher spending in other categories within the Roadmap, the Roadmap would allow for that choice. CBO projects a surplus of 5.0% of GDP in 2080 under the Ryan proposal. By contrast, let’s remember that the current path for the country – without enacting meaningful entitlement reforms, well before 2080 – is bankruptcy. It’s ironic to say the least that advocates of “bending the cost curve down” are willing to countenance Congressional health care bills that are not directly aimed at holding costs down, while attacking the Ryan proposal precisely because it would.

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Finally, some have alleged that the CBO projections are flawed because CBO did not perform the revenue estimates itself. But as anyone familiar with official government scorekeeping knows, they never perform their own tax estimates. It is standard procedure for the JCT to perform these estimates. JCT is generally unwilling to perform long-term estimates like those sought for the Ryan roadmap for several reasons, including the extremely extended time frame. Projections become vastly more difficult and inaccurate the longer the covered timeframe.

In response, critics have produced their own set of revenue estimates for the Ryan plan, one which (surprise!) shows much higher deficits than CBO. Given the apparent carelessness of many other attacks against the Ryan proposal, it seems wise to take these with a grain of salt.

The real point of the attacks seems to be political, as the common partisan refrain has emerged that Ryan is simply advocating “tax cuts for the wealthy.” The national debate would benefit if these analyses



stopped examining only one side of the equation (taxation) without reference to the other (spending). That's the only way to present a complete picture.

The philosophical divide between Ryan and his critics is whether Congress should impose far higher taxes in the future (on the rich as well as on everyone else), in order to fuel higher government spending (on the rich as well as on everyone else). Granted, wealthy Americans would pay lower taxes in the future under the Ryan plan than under current law. They would also experience slower growth in Social Security and Medicare benefits. While taxes on the wealthy would be lower, it seems more important to focus on the fiscal health of the nation (which the Ryan Roadmap attempts to restore) than on punitive taxation for a certain tax bracket.

Ryan would impose, for example, progressive indexing of Social Security benefits, in order to avoid the payroll tax increases that would affect everyone, rich and poor alike under a competing (and Democrat-supported) proposal, the Diamond-Orszag Social Security plan. Strangely, CBPP declined to mention the payroll tax increases in store for rank-and-file workers under that leading Democratic alternative to the Ryan plan.

It seems clear that the ire over the Ryan proposal isn't really about the merits of the proposal. Though this has unfortunately become par-for-the-course for all political parties in Washington, it is unfortunate that serious proposals no longer receive impartial and substantive analysis before the auto-attacks set in. The opposite approach – one that evaluates a plan on its merits, regardless of its source – is the only way to fix this country's big problems, once and for all.