

Ryan Traveled A Perilous Budget Path To VP Spot

BY CONNIE CASS
Associated Press

WASHINGTON — Paul Ryan traveled a perilous route to political stardom. While other lawmakers nervously whistled past trillion-dollar deficits, fearing to cut popular programs, he waded in with a machete and a smile.

Ryan wants to slice away at Medicare, food stamps and virtually every other government program but the military.

Democrats, led by President Barack Obama, have made him their budget boogeyman. Even many fellow Republicans were reluctant to follow him at first.

But Ryan has become a hero to deficit hawks. Twice now, the Republican-led House has embraced his austere budget plans. And in these tea party-infused, economically bleak days, Ryan's fiscal ideas have moved into the Republican Party's mainstream, just in time to be tested in the 2012 elections.

As Mitt Romney's vice presidential pick, the GOP's boisterous budget outsider is now its loudest voice on taxes and spending.

Romney calls his running mate an intellectual leader of the party with a "bold and exciting" budget plan. But Romney also has been careful to note, without elaboration, that he doesn't necessarily agree with all of Ryan's ideas.

Indeed, some of the Wisconsin congressman's previous suggestions — on the shelf since he ascended to the chairmanship of the House Budget Committee in 2011 — were politically riskier. They included privatizing Medicare and part of Social Security and ending taxes on interest and investment income, meaning



Ryan

some wealthy investors like Romney might owe virtually no income taxes. Ryan has backed off those proposals, but he still stirs controversy.

Some of his current ideas:

SHRINK THE DEFICIT

For Ryan, it all starts with putting the brakes on the nation's out-of-control debt. For years he's been wielding colorful charts and graphs to sound the alarm about annual deficits topping \$1 trillion.

In March, the House passed a federal budget outline based on Ryan's plans that would protect the Pentagon but reduce spending on almost everything else, including roads, farm programs, health care, research and education. It aims to whittle the annual deficit to about \$287 billion in 2022. That compares with a \$704 billion deficit projected for Obama's budget plan. (The House bill is a non-starter in the Democratic-controlled Senate.)

A majority of House Republicans actually voted for even deeper cuts. And a few Democrats joined in passing the Ryan plan, which over the next decade would spend \$5.3 trillion less than Obama wants while cutting taxes by \$2 trillion more.

A numbers man, Ryan loathes budgetary uncertainty. So he wants to lock down how much the government can spend on entitlement programs such as Medicaid and food stamps. Critics complain that this would transfer the risks of rising prices or greater need to individual Americans.

Ryan says the most important thing he can do to help people in need is to rescue the nation from fiscal disaster.

OVERHAUL INCOME TAXES

As much as he wants to shrink the deficit, Ryan wouldn't do it by raising taxes.

He wants to lower tax rates by compressing the current six brackets into two: 10 percent and 25 percent. The current top rate for the wealthiest is 35

percent. He also would reduce the corporate tax rate to 25 percent from 35 percent. Ryan says he would make up the lost tax revenue by eliminating unspecified tax breaks and loopholes.

Ryan — like Romney and most congressional Republicans — would extend Bush-era tax cuts for everyone. Obama wants to allow tax rates for earnings over \$200,000 per individual or \$250,000 per couple to go back up next year, for a top rate of 39.6 percent.

Ryan also seeks to eliminate the alternative minimum tax — a much-disputed levy that members of both parties have expressed interest in ending. Doing so is tough, however, because it would cost the government hundreds of billions of dollars over a decade.

In the past, Ryan championed big tax changes that would mostly benefit the wealthy: eliminating taxes on dividends, interest and capital gains, as well as ending the estate tax. He dropped those ideas from more recent plans.

REDO MEDICARE

None of Ryan's ideas has caused as much outcry as his plans to remake Medicare. Critics say he wants to undo the fundamental nature of the government-run insurance program — its open-ended commitment to getting seniors the benefits they need. Ryan says he would give retirees more freedom while saving Medicare from going broke.

After his earlier plan to privatize Medicare provoked a firestorm, Ryan put forth a retooled version late last year, which resembles Romney's idea of preserving a form of traditional Medicare alongside an option to choose from private insurance plans. Romney hasn't

addressed the specifics of his new running mate's proposal.

Future retirees would get fixed government payments that could either go toward buying private plans or joining a government-run program modeled on today's Medicare. The insurers, including the government program, would make annual competitive bids that would be assessed to set the amount of the government payments. Older and sicker people would get larger payments; wealthier retirees would get smaller ones.

The growth of Medicare spending would be capped to keep medical inflation from overwhelming the national budget. In contrast, Obama proposes another way to limit Medicare costs — by cutting payments to medical providers if spending surges.

Ryan's limit might not keep pace with fast-rising health care costs. Over time the government payments could cover much less of a retiree's medical costs than Medicare does now. For example, an analysis by the nonpartisan Congressional Budget Office found that Ryan's plan would hold government spending on a typical 66-year-old to \$7,400 in 2030. That compares with \$9,600 estimated for the same retiree in 2030 under current law.

Ryan says his plan would keep costs down by creating competition within the health care system and giving retirees incentive to be smart medical shoppers. He also would gradually increase the eligibility age for Medicare from 65 to 67.

People already 55 or above could stay in the current system.

The starting point for Ryan's plan is

the Medicare cuts already to be phased in under Obama's health care law — cuts that are a favorite target of Romney and other Republicans who want to repeal "Obamacare." Despite that criticism, Ryan would keep those Medicare restraints.

HAND OFF MEDICAID

The fate of the health program for the poor is one of the most glaring differences between Ryan's vision and Obama's.

The president's health care overhaul would pour more U.S. money into the joint state-federal program so it can cover millions more low-income people. Ryan wants to repeal that expansion, curtail the program's growth and hand the whole package over to the states.

Ryan says converting the program into grants for the states would free them to use the money as its needed most and manage it more efficiently.

Medicaid has been growing faster than the economy, at a rate of 5 percent a year, putting a strain on state budgets and ding the U.S. government, too. Ryan would cut its cost over the next decade from more than \$4 trillion down to \$3.4 trillion.

The Congressional Budget Office says that would sharply reduce the size of the program relative to the overall economy and leave states the choice of cutting benefits or spending more of their own money.

WHAT ABOUT SOCIAL SECURITY?

For several years Ryan pushed plans to partially privatize the national retirement program, an idea that flared

and dimmed during George W. Bush's presidency. He also talked about raising the retirement age gradually to 70 and reducing benefits for all but the poorest future retirees, to deal with demographic changes that threaten to overwhelm the program. Although there is wide agreement that changes of some sort must be made to shore up the program's finances, Ryan has dropped those lightning-rod specifics.

Instead, his budget would require that president and Congress find a way to fix Social Security's finances.

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