

The Economic Club of New York

455th Meeting
109th Year

The Honorable Paul Ryan
Speaker of the House
U.S. House of Representatives

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Questioners: Glenn Hubbard, Dean
Columbia University
Graduate School of Business

Peter Orszag
Chairman of Investment Banking
Managing Director, Lazard

Introduction

Chairman Terry J. Lundgren

Welcome everybody to the 455th meeting of the Economic Club of New York in our 109th year in operation. I'm Terry Lundgren, Chairman of the Economic Club of New York and Chairman and CEO of Macy's, Inc. Before we get started, I have some good news for all of us, and that is the bombing suspect has been captured and is in custody. (Applause) I thought you'd all want to hear that before we get started. So the Economic Club of New York is the nation's leading nonpartisan forum for speeches of economic, social, and political issues. More than 1,000 prominent guest speakers have appeared before this club over the last century. I want to personally recognize the 234 members of the Centennial Society. These club members continue to make an extraordinary contribution to ensure the financial stability of the club into its second century. And for those of you who would like to learn more about the Centennial Society, please contact Barbara Van Allen or myself and we'll talk to you about the benefits of being part of this group. I'd also like to welcome the table of students who are here. We have students from the Columbia Law School, and at each one of these events we always try to include our students whenever possible just to broaden their education beyond the classroom.

This afternoon we are honored to welcome our distinguished guest, the Honorable Paul Ryan, Speaker of the U.S. House of Representatives. Paul Ryan is a fifth generation Wisconsin native, born and raised in Janesville, Wisconsin. He is currently serving his ninth term as member of

Congress representing Wisconsin's 1st Congressional District. In October 2015, Paul was elected Speaker of the House after then-House Speaker John Boehner retired from Congress. Prior to serving as Speaker of the House, Congressman Ryan served as the Chairman of the House Ways and Means Committee where he focused on many issues across the federal government. These issues included tax reform, Medicare and Social Security, the safety net, trade arrangements and the Affordable Health Care. During the 112th and 113th Congresses he served as Chairman of the House Budget Committee where he put forward a multifaceted plan to tackle major fiscal issues entitled, The Path to Prosperity. Paul is very proud to say that he's a graduate of Joseph A. Craig High School in Janesville and also earned a degree in Economics and Political Science from Miami University in Ohio. He and his wife, Janna, live in Janesville with their children: daughter Liza and sons Charlie and Sam. Following his speech, we'll have two designated club members who will be asking questions. But for now, Speaker Ryan, the podium is yours. (Applause)

The Honorable Paul Ryan

Speaker of the House, U.S. House of Representatives

Thank you very much, Terry. Speaking of Joseph A. Craig High School, I just saw the kids off to school this morning. My daughter got elected Vice President of the ninth grade class. (Applause)

It just goes to show that at least somebody in our family can get elected to vice president.

(Laughter) So we broke that curse.

First of all, I don't have to tell you that the whole country is thinking about New York these days. In the span of just a few hours, we realized – yet again – that terror can strike at any moment on any street or in any train station. And in this new world we're living in, nothing can be taken for granted. Nothing can sober the mind more than what has just happened in your city over the last few days. So I just want you all to know that we are thinking and we are praying for you. And God Bless these men and women who are our first responders, who are fixing this problem and who are fighting for us. Please know, New Jersey, New York and Minnesota, we're thinking and we're praying for you. (Applause)

You know, it makes you think about our security challenges recently. And it makes us think about really all of our challenges. Everybody's thinking about the election right now, but what I'm spending a lot of my time thinking about right now is what are we going to do on January 20, 2017 when we're standing face-to-face with all of our country's problems. You know, to be honest, when I start running through all the things that we need to get done, all the problems that have gone unsolved, you can easily get discouraged.

I look at this dysfunction of our current divided government, and I think to myself, if we have four more years like these last six, to put it mildly, we are not putting ourselves in the position to truly tackle our nation's biggest problems. Don't get me wrong. We will do everything we can to make things right no matter who sits in what office. But it's exciting to view with your mind's eye the picture of getting our country back on track, solving our problems, restoring a confident

country.

I'd like to share with you, in my mind's eye, what that picture looks like. In other words, I'd like to share with you what it is we are actually trying to achieve with a unified Republican government. To be clear, we are trying to restore the American Idea for our generation. You see, there are a whole lot of people in this country who do not think this is there. They don't think this idea is true for them anymore – for good reason. Over the past several years, power has been slipping out of the hands of the people and into the hands of a very expansionist federal bureaucracy. It happened gradually. And now as a result, we have high anxiety in national security, a slow growing economy. In the Bush years, we were focused on the War on Terror. In the Obama years, the president has focused on cementing the progressive legacy in place. At this point, it is obvious we need to change our ways – because if the American Idea is not true for everybody, well, then it really isn't true at all, is it?

That, of course, leads to the question: What is that? What is the American Idea? What do we stand for? Who are we trying to be? Where do we come from? That's what I want to talk to you about today.

And when you get down to it, how you answer the question, 'Why Is America struggling?' it kind of depends on how you answer the question, 'Why did America succeed in the first place?' We've got a lot of natural resources – minerals, land, water. But those aren't strictly necessary.

Look at Israel, look at Japan. We've got a very diverse population. It's a source of pride. It's a source of energy. But so does India. So you have to ask yourself, why did this country, this one, unique country, achieve so much more? It's because this country was based on an idea: freedom, our natural rights. Not race, not class, not minute petty distinctions. Other countries tried to elevate what they considered the best part of their society: the nobility or the military or the bureaucratic elite. Here in America we decided we could do all we could do to unlock the best in everyone – in every American citizen.

That is the meaning of American exceptionalism. I know that term is not real popular these days. Some people think it's arrogant or condescending. We're not saying that the American people are inherently superior to all other countries. What we're saying is that for whatever reason – and it's a true mystery – we were given the opportunity to prove, by our example, that people from all walks of life could live together in peace. They could collaborate, deliberate, and vote. They could haggle and bargain. They could fight side by side. We'd be more than a beacon to the world. We would be a herald of this really good news. Freedom is possible. The condition of your birth does not determine the outcome of your life. You can build a great life for yourself if you work hard. You can build an even better life for your kids. In other words, to believe in American exceptionalism is to simply be grateful for what God has given us.

Does freedom require government? Absolutely, of course it does. Who could succeed in a country where the town bully could steal your stuff? Where you couldn't bank on your

neighbor's good word? Where the law of the land was no more than a passing whim? In this country, if you build it, if you grow it, if you work for it, it's yours. You earned it. That is a core principle. And it simply would not be possible without government, without property rights and contracts and the rule of law. And you know what, nobody appreciates and understands this more than conservatives. Nobody is more proud of our founding governing documents: the Declaration, the Constitution, the Bill of Rights.

There's no argument here. Government can be a force for good – when it empowers the person, when it gives us the information we need to make our own decisions, when it wins more customers for our products across the globe, when it lays down clear, firm rules for all of us to live by. Because when government does that, it creates a free market, where millions of people can buy, sell, trade, build, work, and work their way to a better life. We all can attest to the incredible power of free people working together. This has built the greatest economy the world has ever known.

So are we skeptical of government? Of course we are. Our tax code shouldn't look like a block of Swiss cheese. No laws of ours should run longer than *War and Peace*. But our skepticism comes not from a hate of government – that's just a strawman argument – but from a love of individual freedom. It's one thing to have read your von Mises, your Hayek, your Uncle Miltie, to read Glenn Hubbard, and I recommend that. (Laughter) It's one thing to understand on a purely intellectual level the economic need to empower the individual. But when you see it in

person – in the most unlikely of places – well, that’s a whole new ball game. That’s when you realize it’s not just good policy – this is a moral imperative. Suddenly, you start to ask yourself, what else is America for – if not for the people who want to start over? Who could be more American than the person who’s been to hell and back? What is the American Dream if it isn’t the search for redemption?

I’ve got to tell you, to hear these stories and to meet these people, it is an amazing morale boost. I’ve been discussing our nation’s problems with the best policy minds over the years – a bunch of people up here on this dais. They’re brilliant. They’re great. But take it from me, if you’re looking for a few words of encouragement, the last person you should look to is an economist. And no offense, Glenn, wherever you are. Our problems kept multiplying and no one seemed to know the way forward. That’s when I started to think a few years ago, when you’re in a jam, it’s good to have a sense of history. But what you really need is creativity. How do we take adversity and turn it into opportunity?

So in the last four years I decided to try a take a different tack. I tried for four years to try and get a budget agreement with this government. It wasn’t going to happen. So for the last four years, I’ve been going around this country with a buddy of mine named Bob Woodson – a friend of mine I met through my years with Jack Kemp. We visited some of the poorest communities in America. I’ve been at drug clinics, homeless shelters, you name it. And you know what, I went in there thinking all I would see would be shuttered homes and shattered lives. That is not at all

what I saw. What I saw was the drug dealer had become a drug counselor, the tough guy who became a great family man, the gang leader who had become an entrepreneur. I saw the small businesses they created, the support groups they formed, the loving families that they had rebuilt. In other words, I went in expecting to see the worst of America, and I came out realizing I had just seen the best of America.

I want to just give you one example. Pulaski High School in Milwaukee, I've driven by this place a million times. They have this thing they created called Violence-Free Zones. The school hires about a half a dozen young graduates to mentor the next generation. These are not your garden-variety guidance counselors. These are ex-gang members, people who have prison records, people who know the streets, people who have been redeemed. That's precisely why they have the credibility to talk to these kids, 'Don't make the same mistake I made. Look what happened to me, beware, make a better choice.' Pulaski started this program just a few years ago. You know what happened? Suspensions went down. Attendance went up. They had 14 gangs in this one high school. Now they have none. They've disappeared. The principal, he tried – I know this guy really well – he tried all these different things: more cops, more cameras. Only this program worked.

Now I could say to you, how fortunate it is to see the crime rate decline, how encouraging it is to see the graduation rate increase. It's all good. The reason I love this story is because I saw, with my own two eyes, the American Idea come to life in real flesh and blood human beings. Here

were people who had lost their way, now finding their place in life. A whole school-worth of kids on a really dangerous trajectory now on a good path. Here was the power of people working together to turn their lives around. You're not going to read about them in *Fortune* magazine or the *Wall Street Journal*. And they may not grow up to be rich people or famous people, but without a doubt, they are growing up to be free people, upstanding citizens, good-hearted Americans. They're applying our free market principles in a distinct, new way. They are social entrepreneurs.

And they are the reason that I am optimistic. You walk away from your experience thinking, wow, what talent, what drive, what courage. You walk away thinking, you know what, we need them. We need more of them. We need to get them and others back into this economy. You know it's only when we start chipping away at that 94 million people out of the workforce statistic that we're really going to make a dent in that \$19 trillion debt. We need the federal government to work with them and not against them. Here's the thing: they are more than eager to do it. They are ready. They can't wait to get started. That's when you think to yourself, if these people can beat their odds, then who on earth are we to complain about ours?

Of course, it's not enough to praise the success stories. We need to change our laws so that we can see more of them. Our policy platform has got to be more than sort of an ode to the power of positive thinking. That's why we have to have an agenda. That's why we have to tackle these problems before they tackle us.

Look, this presidential election is getting really tight. I think we have a real opportunity here to win a mandate for a unified Republican governance. That's why the House Republicans and I are offering what we are calling A Better Way. This is an agenda that we want to pursue with the next president – her dad. This is some of the answers we have to some of our country's biggest problems. Our whole thinking here is we have these huge problems that are surmountable. Let's take our country's principles – our founding principles – apply them to the problems of the day and offer people real solutions. Earn this mandate. Win by acclamation. Implement these ideas in 2017. That's what we are trying to do. And we are tackling the big problems: national security, poverty, the economy, restoring the Constitution and self-government, health care, tax reform. Look, I'd be remiss if I didn't plug our website: go to better.gov and you can read the whole thing. But let me paint you a picture of what it is we're trying to achieve.

I think we can expand opportunity for all of our people, but especially those who need it most. You know, these days the person paying the highest marginal tax rate; it isn't Warren Buffett, it's not Hank Paulson. It's not even Aaron Rodgers who deserves the salary that he is earning right now, although maybe not last night. You know who it is, it's the single mom making \$28,000 with two kids. If she finds a job that pays her just a little bit more, she'll be losing 80 cents on the dollar to take that step forward. It is a huge disincentive to work and to advance. We call this the poverty trap. It is the result of having over 80 different federal anti-poverty programs as we do today with zero coordination among them. Once you add up all the benefits she's going to lose, the new taxes she's going to pay, it just doesn't make sense to take that job. So we are

just trapping millions of people in poverty.

Our basic approach to fighting poverty is to treat the symptoms which ends up perpetuating it rather than going at the root causes. We have got to change this. So what we are saying is, give states the flexibility to innovate and try new things. Let states coordinate with the people who are already fighting poverty on the ground successfully and winning – groups like the Salvation Army, Catholic Charities, America Works. We need to get the public sector and the private sector, the non-profit sector, the for-profit sector – all of these sectors working together and pulling in the same direction. We need to customize welfare benefits to meet a person's particular needs and always, always, always reward work. Remove this trap. Fix these benefits to help the actual person get from welfare to work. Measure success based on results, not based on effort. That's what we've been doing for 51 years. Trillions spent, about the same poverty rates as when we started this war on poverty. And success is just basically how much money are we spending, how many programs have we created, how many people are on these programs. Let's flip that and focus on success being measured in, are we actually getting people out of poverty.

Outdated policies are holding everybody back and our whole economy is suffering as a result of this. And so if we want to create more good-paying jobs, let me say one more thing we've got to do. We have to fix this tax code. This is what I've spent years working on at my last job as Ways and Means Chair. And you know what, overseas, which where I come from means Lake Superior...(Laughter) those Canadians, they tax all of their businesses at 15%, 1-5. The Irish are

at 12.5, England is going down to 18, on and on and on. The average industrialized world tax rate on businesses is 23%. Eight out of our ten businesses in America file their taxes as individuals. We call them pass-throughs or like Subchapter S corporations. You know what the highest tax rate on successful small business is in America today? It's 44.6%. Heck, the corporate tax rate is the highest in the industrialized world. That's 35%. This has got to change. If we want to start winning jobs in this country, if we want to start keeping capital here, this code has got to go. And we are showing you exactly what we would do. And we have common ground on this.

First of all, get those rates down across the board. Completely simplify the system, so much so that the American family can file their taxes on a postcard. Drop that individual pass-through rate down to 25%. Take the corporate rate to at least 20%. Let businesses write off everything they expense the year in which they make that expense. That will really create good growth. And by golly, if you actually make some money overseas by, you know, exporting, selling a product overseas, let people take that money home any darn day they want to without a tax consequence so that they do do that. I met with the board of a huge company in the upper Midwest the other day who had to repatriate so that they could bring their money overseas back and invest into this country. How crazy is this? We are just killing growth in this country as a consequence of this. And so what we are doing is we are showing in black and white what we can achieve in 2017 if we get this right. The Tax Foundation says this plan alone will create 1.7 million new jobs, add about a 10% growth to our economy.

And what we're proposing to build is not so much a competitive America but more of a collaborative America. You see what we're trying to do here is we're trying to trade the old, top-down bureaucratic 20th century government we've got – the one the progressives are fighting to extend – and we want to trade it in for a bottom-up, organic society where opportunity is real and plentiful, a healthy economy. Because as we all know, it is only in the collaborative environment of free enterprise that a person can truly flourish.

These are the commonsense ideas that we need to take to get this country back on track. These are the ideas that we believe will put power back into the hands of the people, back into the hands of the people who pay their taxes, meet the mortgage, and make this country work. These are the ideas that can solve our seemingly insurmountable problems. And this is what we think we need to do to restore the American Idea. I've got to tell you, if we keep kicking the can down the road, people really are going to give up hope on this country. More and more people, generations-worth are going to disbelieve that this American Idea is there for them. What a shame that would be. But if we put these right reforms in place, I know we can turn things around.

We are in the middle of a pessimistic, vicious cycle. It's cynical and it's awful. It doesn't take a whole lot to turn this around into an optimistic, virtuous cycle. To feel anxious at a time like this, that's natural. I've got to tell you; pessimism is a choice. The happy warrior doesn't shrink from a fight. We accept this challenge with joy. For all of our problems and for all of our doubts, I

know we can turn things around. We know what we need to do to do this, but we need to have a government that is capable of doing it. I've got faith in this country. There's no one in this country – I'm telling you – there is nobody in this country that says, boy, I wish my life were empty and meaningless. Nobody thinks that. And that's why we shouldn't write anybody off, least of all our fellow citizens. All of us want to be defined, not by our segment of society, but by our contribution to it. So when we see people struggling, you know what, it's the rules, it's the rule-makers that have failed us, not the people.

None of this is automatic and none of this is easy. The American way of life is always a work in progress. And the challenges we face, they're pretty stark, they're pretty big, they're mounting. But this is our calling for this moment, and we need to answer this call. So all I've got to say is, let's get to work, together, in high spirits, optimistically, happily, to rebuild this country we love. We get these fundamentals right and we'll do it. So thank you very much for hearing me out. I appreciate it. (Applause)

QUESTION AND ANSWER PERIOD

CHAIRMAN TERRY LUNDGREN: So thank you, Speaker Ryan. So the next part of our program will be questions and we have a couple of our selected members who will be asking those questions. Glenn Hubbard who is the Dean of Columbia's Graduate School of Business as well as Peter Orszag and Peter is the Vice Chairman of Investment Banking and Managing

Director of Lazard. And Glenn, I believe you have the first question.

GLENN HUBBARD: Thank you, Mr. Speaker, for coming and speaking to us today. I wanted to take you back to a couple of questions you asked toward the beginning. Why did America succeed in the first place? And how do we address our challenges? As you spoke, of course the answer to both of those questions is really opportunities for growth. Now in the past couple of years, you've spent a lot of time talking to the American people about growth. As you go through A Better Way and your agenda, how would you prioritize policies that would get growth back to where it needs to be?

THE HONORABLE PAUL RYAN: That's a great question. We decided – we meaning House Republicans back in October – it's one of the conditions on which I took this job. One, home in Wisconsin on weekends, two, we have to show who we are and what we believe in. We've got to move from being simply seen as an opposition reactionary party to being a proposition party. And then we basically thought, what are the key things we've got to get done that are so critical? Growth is obviously core. I'd say there's a few things. First, I think tax reform, as I mentioned, is just absolutely critical. It is one of the things that is hurting us the most, holding us back. Second is the regulatory state. Two of the six planks in this six-plank plan deals with regulations. I mean you name the sector, you've got the regulatory juggernaut coming out of this administration, injecting so much uncertainty, so much hesitance in the private free economy. I mean just the Labor Department alone; they're unilaterally rewriting our overtime rules. Waters of the USA,

you've got to see what it's doing to farmers. You all know about Dodd-Frank. The point I would say is we have shown you exactly what regulatory reform looks like, how we should revamp it so we have a 21st century regulatory system that's focused on certainty and job creation, sound science and the rest, but the point that we, in Congress, feel very strongly about, that we think can really help improve this regulatory climate is we need to restore self-government, the separation of powers. And we have seen this atrophy not just under Obama, it's under Republican presidents also. But it's really kind of gotten out of control, Glenn. What I mean when I say that is all these things that we experience, like laws and rules and regulations that micro-manage our economy, our sector, our schools, our hospitals, you name it, we don't vote on these in Congress. They just go into effect. So we have this sort of new fourth branch of government, these unelected bureaucrats writing effectively our laws. And so, I see Joe Wilson here from South Carolina, he and I don't vote on these things. So what we're basically saying is these things that are laws, rules and regulations that are major, they've got to come through Congress. Thirty-two state legislatures do this already. We have to make sure that the Legislative Branch of government under Article 1 – the one that's supposed to write the laws – writes the laws, the Executive Branch of government, Article 2, faithfully executes those laws. That's not happening today. And so what we're saying here is those things have to come through Congress for a final vote and approval and amendment before they go into effect. Thirty-two state legislatures do this already. It's not a brand-new idea. But we think doing that helps us restore accountability in the government so that we can focus our regulatory state on creating jobs, not building a massive, you know, bureaucracy that is distant from the people. So Glenn, tax reform,

I would say regulatory reform, and then the first point I made, let's really focus on getting people out of poverty by focusing on getting people into the workforce, focus on skills, closing the skills gap, and focus on these miserable labor force participation rates. You know we've got millions and millions of able-bodied people not looking for work, not in school, just slipping through the cracks. We don't even measure them anymore. So you get people back into the economy, you get the regulatory state more certain and stable, more accountable, and you get this tax system under control, I think we'll take off. And then that can take our fiscal policy off of its current collision course with our monetary policy.

PETER ORSZAG: Mr. Speaker, you've laid out a compelling vision for the priorities with a Republican Trifecta of the White House, the House, and the Senate, and I understand it's not your preferred outcome, but there is some chance that that's not...

THE HONORABLE PAUL RYAN: No, I don't want to talk about that...(Laughter)

PETER ORSZAG: So just in that hypothetical world, how would these priorities change? There's bipartisan interest in things like criminal justice reform and the childless earned income tax credit. Both presidential candidates have come out in favor of additional infrastructure spending. Where would you see the areas of bipartisan work if you wound up in a divided government scenario?

THE HONORABLE PAUL RYAN: Well, I'm trying to get criminal justice reform done this session of Congress, so I obviously think it's a very important element. And we're looking at how we can get that done, because we've gotten six bills out of the Judiciary Committee already so that train is on the tracks. And I'm hoping we can get that done sooner rather than later.

Infrastructure, you have to remember, Peter, we passed the biggest highway bill, the long-term highway bill, for the first time since the 1990s just a few months ago. So that's already in place, a 10% above baseline spending on mass transit and highways. So I would suggest that that's occurring now. I think tax reform; you just can't defend this tax code anymore. The fear I have, Peter, is the progressives who kind of control the Democratic party don't think anything close to what looks like tax reform is a good thing. We offered up switching to a territorial system, dumping tens of billions into the Highway Trust Fund last September and it was rejected. So I hope that that view changes, but right now their stated position is they want a worldwide tax system but ending deferral. So there's a big gulf between our two views. I would like to think that just with the pace of inversions and takeovers, that the case for tax reform is indisputable and we could overcome those ideological barricades that dominate the other side of the aisle.

And look, I know that's sort of a partisan thing to say, but I think you know exactly what I'm talking about. On infrastructure, this is not a panacea. You know, first of all, we're not Keynesian so we're not a big believer in these multipliers that you and I have debated for what, 20 years. I think there's no substitute for organic economic growth, free enterprise, private sector growth. And that's the regulatory state which if we have another progressive administration, the regulatory state is going to keep going on as it is. So I think the fiscal policy which is, on the tax

side is probably the easiest get, but on the fiscal side, you know, we've been pushing this entitlement reform rock up the hill for years. We've wasted eight years now. I worry that a progressive presidency, it'll be just like the rest. And you know these numbers better than just about anybody else in this country. If we don't start tackling our entitlement problem soon, then it's going to tackle us. You know what the baseline looks like. It's number five in our six-point plan on health care reform, how you deal with these entitlement problems. And I just don't see a progressive government being one to tackle it because this one hasn't at all. And so I think tax reform is probably the easiest get, hopefully. And then I think, I look at the poverty space and I've got to think there's some common ground in there. I've got to think that there's some common ground in moving people from welfare to work. I passed a law with Patty Murray a number of months ago creating an Evidence-Based Policy Commission which is now up and running. And we want to use objective tools to measure the outcome of policies based on evidence and follow that. And that sort of should take the politics and ideology out of this. And if we can get that train on the tracks, which we're in the middle of doing, I think we can go down the poverty space a little bit better. EITC, childless adults, that's something I put out there along with the president a couple of years ago. So I think there's some space on welfare reform and poverty. I would love to think that that's the case with tax reform, but the experience I had when I was Ways and Means Chair with this, with your party, was not a pleasant one, and I don't know if that's going to change. We'll see.

GLENN HUBBARD: I want to take you back to the questions of work and opportunity. You

characterized the safety net as perhaps sometimes being more like a spider web of trapping people rather than cushioning them. And in *A Better Way*, you did talk a lot about work and opportunity. If you were to look at the list of specifics, the EITC change you mentioned, education and training, personal re-employment accounts, 20 such things, how would you prioritize those? And which ones would the new Congress and president take up first?

THE HONORABLE PAUL RYAN: Yes, you're the author if I'm not mistaken of personal re-employment accounts.

GLENN HUBBARD: I'm still entrepreneuring...

THE HONORABLE PAUL RYAN: So here's, if I had chart, I'd show it to you. You take a look at all the various welfare benefits, and we did the first accounting of this that had been done in years, we have about 72 programs at the federal level, spending \$800 billion a year from the federal government fighting poverty. And these programs, when you stack them on top of each other, they had these cliffs, these benefit cliffs, that present a huge disincentive to work, like I said with the single mom as my example. So she loses anywhere from like 80 to 90 cents on the dollar taking a step forward in life, getting a job, getting a raise. And the EITC helps smooth that out and pull that person to work to make work pay. The first thing I'd do is change the way the EITC works. It's a lump sum at the end of the year. So you don't feel it in your paycheck. I think it should be monthly. Without going into the details, I think the easiest way is embed it in the

Social Security system just to administrate it. I think that's a smart thing. And I think when you take a look at this labor force participation rate, it's those childless adults that's really slipped into the cracks. But you have to deal with the program side of this, the spending programs that occur. This is why we want to collapse these programs and send them back to the states and then break up the welfare monopoly that is administering these benefits. What a person typically experiences is they're down on their luck, they need to have assistance. They go to the local county welfare service agency. And it's like going to a window and they give you your benefits, then you go to another one, they give your benefits, then you go somewhere else, they give you your benefits. There's no coordination. You're just seen as a cog in the machine. And then you're sort of, you're on these benefits and then if you leave to get a job, you have this massive disincentive. And so what we have seen out there is there are great groups that in spite of this disincentive, in spite of this government-imposed poverty trap, that do what we call wrap-around benefits or case management. Catholic Charities has a great model. They perfected this in Fort Worth. Lutheran Social Services, America Works, the Salvation Army, there are lots of groups. There's some here in New York, that they learn how to actually focus – it's like a patient navigator for health care – how do you help this person get her life in order, create a plan, and get her from where she is to where she needs to be, and always make work pay, and customize these benefits so the incentives are always lined up. And do it in a way where all sectors, the public sector, the charitable sector, the private sector, the government sector, work in the same direction. And so what we want to do, and what we propose is move this back into the states, not just to cut a check and call it a day, but to break up this monopoly of providing these services on

the ground so that a person who is down on her luck navigating society has choices of providers who compete for her business based on success. So let Catholic Charities take over this. Let the Salvation Army do this. Let a for-profit like America Works, which does a good job in Milwaukee, do this. And then measure them based on results and outcomes, and then the money should go where the success occurs. It's our case for school choice. And we're basically saying, if you do that, take all of this money and focus on customizing benefits to a person with critical incentives, a work requirement, time limits for the able-bodied, closing that skills gap. She might have an addiction problem and she may need to then get a GED. He might just need a car and skills training. Everybody's different. So you can't do this cookie-cutter, one size fits all, Washington-knows-best approach because that's the results we have right now. And so we believe, Glenn, that that is the best way to get back into the pipeline, the labor, the people who are slipping through the cracks. And by the way, you do that, it's not only good for them and their lives, you're restoring upper mobility. You're restoring a sense of achievement. And you're getting people back into the economy to give us faster economic growth. And when 10,000 baby-boomers are retiring each and every day, at that pace for the next ten years, we surely need them. And so it's a three-for. It is helping people get their lives back together, restoring the American Idea and this beautiful sense of American upper mobility, and it's getting faster economic growth. And that's our basic approach to doing this.

PETER ORSZAG: Mr. Speaker, I'd like to bring you back to the tax front and give you the opportunity to respond to your critics of your plan. On Friday...

THE HONORABLE PAUL RYAN: Is this from your blog, Peter? (Laughter)

PETER ORSZAG: No. It's not my criticism. On Friday, the Tax Policy Center in conjunction with the Penn-Wharton business model came out with an analysis of the House Republican tax plan that said that it would, including the feedback effect from higher GDP which it did say would happen, that the tax plan would increase the deficit by \$3 trillion over the next decade and that effectively all of the benefits would go to the top 1%, with a 1% increase in after-tax income for the middle 20%, and a 10% increase for the top 1%.

THE HONORABLE PAUL RYAN: So they're saying increase in after-tax income for everybody, is that what you just said?

PETER ORSZAG: Yes, if we give away money, that's what happens.

THE HONORABLE PAUL RYAN: Keynesian versus the classical guy. First of all, I haven't seen it. I'm familiar with TPC's model. I would look at the Tax Foundation model which says quite a different thing. When I was Chair of Ways and Means, we changed the way we do scorekeeping in the House. We bought three models, models you're familiar with, an OLG, MEG, and stochastic model. Sorry to get gobbledygook on this stuff, but what we're trying to do in Congress is to be as close to accurate in reality as we can, because it's clear to us that changes in tax changes affect personal behavior. And until this last year, we had to ignore that in

Congress. We had what we call static modeling. Now when we write tax policy, we are guided to take into consideration how best does it achieve faster economic growth and job creation which is our goal. That's point one, Peter, and I think if you take a look at the modeling we are using, we don't have anywhere that kind of deficit effect you're talking about. Point number two, in this kind of tax code, when you cut tax rates across the board, you're going to have that kind of distributional thing you're talking about. But that's then a case to keep these individual rates so high that we basically just give these other countries our companies. Remember, eight out of ten businesses in America file their taxes as individuals, Sub-S, sole proprietors, limited, you know, LLCs. Their top effective tax rate is 44.6%. So where I come from in Wisconsin, our manufacturers compete head-to-head with the Canadians who are taxed at 15%. I mean you can sit in Treasury and try and be as punitive as you want on people who are inverting, it ain't gonna work. They're just going to get bought by foreign companies at the end of the day. And when that keeps happening, whether it's inversions or foreign takeovers, we lose our seed corn, our seed capital. We lose the executives in Milwaukee at Miller Brewing who are running, chairing the United Way campaigns. We lose America's dominance in the global economy. And so we really believe you have to convert to what we call a territorial system. You have to get these rates down so that they're globally competitive. And the way in which we have done that, because remember most of the people who get the loopholes and the deductions are people at the high end. Take away their loopholes and deductions, lower our tax rates, and then let the economy grow and be competitive. Under any kind of analysis, you're going to have what you just described because of the way our tax code is built right now which is built for low growth or no

growth. So that's a criticism that I actually disagree with the specifics of it, but it's one you're going to have to accept if you want to have a fast-growing economy, if you want to have faster economic growth. And that is why I say we simultaneously need to work on the least among us and getting people from poverty into work. I will take our agenda of upper mobility, poverty reduction, and welfare reform along with tax reform against the Bernie Sanders-Hillary Clinton ideology and agenda of redistribution and socialism in a writ-21st century any day of the week. (Applause)

GLENN HUBBARD: I want to take you back before Speaker, before Ways and Means, you were Chair of the Budget Committee. I want to talk about deficits and debt which is a subject not surfacing much in the campaign. In the unified government you speak of, if we have a tax cut and we increase military spending at the same time which seems likely, I agree that pro-growth aspects are very important, but over time what sort of spending restraint would you think of, principally in entitlement programs, which as you know is where the spending is, would you recommend? And how would you sequence that?

THE HONORABLE PAUL RYAN: So obviously I've spent most of my time in Congress doing just this. I see these as simultaneous things, Glenn. I mean I won't get into the way the budget works which you and Peter know really well. I see these things are simultaneous. If you take a look at our health care plan, it is a replacement plan for Obamacare. By the way, the first time in six years Republicans have actually come up with a consensus replacement plan for Obamacare.

But that also includes entitlement reform. Because don't forget that Obamacare was an entitlement bill itself. It not only was creating a new entitlement, it rewrote the way Medicaid and Medicare work. And our health care entitlements are the primary drivers of our debt and our deficits in the future. So if you want to free up fiscal space like we do for national defense, for the kind of Navy and the Army we want, for the War on Terror, you have to go where the money is, and that is in what we call entitlements or mandatory spending. Peter, correct me if I'm wrong, but isn't the CBO baseline by 2026, Medicare, Medicaid, Social Security plus interest on the debt consume 100% of federal government revenues? Yes, so that just means, what we're saying is a few programs plus our interest takes all of the money the federal government raises. Everything else we do is borrowed. And the deficit is kind of an aberration at \$549 billion today. It's going to a trillion really soon and it's never coming back down because of boomers retiring and health care costs, things that we all agree on. So what we believe is you have to attack the entitlement reform issue really early because we can do it still on our own terms as a country. And what I mean when I say that is, the kinds of reforms we're proposing do not affect people in or near retirement. So my mom, she's, I won't tell exactly how old she is. She doesn't like it when I do that. She got mad at me the last time I said what her age was. She lives in Wisconsin in the summer and Florida in the winter and the rest of the time. And she's been on Medicare and Social Security for a long, long, long time. She organized her life around it. And the last thing we want to do is change that, is to pull the rug out from that social contract that she and everybody else in her cohort organized their lives around. That goes the same for the people who are about to retire. But you have to change these programs if you're going to prevent them from

bankrupting themselves and bankrupting the country. So for those of us who are in the next generations on down, we have to change these programs. And if we go soon, we can do it in that way where it affects people who are younger and it doesn't affect people who are in or near retirement. But you keep kicking the can down the road and watch these numbers compound away from us, with boomers going into the retirement column, it will be really ugly and we won't be able, the bond market will tell us how to reform instead of congressmen. And so we are proposing, I won't go into the specifics – Peter knows them really well – but there's a specific plan we have for Medicare that CBO now tells us is the best way to save Medicare. There's a specific plan we have for Medicaid reform. You can go to better.gop and read it. But what it does is it prospectively reforms these programs, and as a result it wipes tens of trillions of dollars of unfunded liabilities off the books. It gets us to balancing the budget and paying off our debt so the next generation inherits a debt-free nation, not the biggest debt in history. And it frees up that fiscal space, Glenn, for the discretionary things we want to do, like national defense, or let's just say education. That, I think, you have to do immediately in a new government when we're doing the next budget process, and that is something that we are preparing to do. This isn't just some slogan. We have, you know, hard work behind this which literally is our plan for January through September of 2017, to get us on path. Fight poverty more effectively, reform welfare, reform this tax code, this regulatory system, replace the Affordable Care Act with patient-centered health care, and entitlement reform so that we can do all of these things we want to do. The last thing I'd say is, to Peter's earlier question, this is going to happen, health care reform. It will happen because Obamacare is imploding. I mean United's out, they're gone, they're leaving.

They lost \$600 million last year, United Healthcare, the biggest health insurance company in the country. Aetna, gone. Just the not-for-profits are sticking around. And I met with the heads of the, I met with all the actuaries of Blue Cross Blue Shield the other day, which I actually enjoy doing that, meeting with actuaries. The chief actuary stood up and said, Congressman, you've got to understand, and they call it Obamacare too, I don't mean any disrespect by that. It's just what people use, the words. He said, Obamacare is failing two years ahead of schedule meaning this thing, it's not working, and it's not going to work. It's in what we call a death spiral. And so we're going to have to change this thing. That's going to have to happen. Did Kaiser just say 31% of counties in America only have one choice, one plan? And another third have like two? The thing is collapsing under its own weight. It's going to force us to address it, and the best way to address is to do a much more comprehensive, patient-centered health care. That, Glenn, includes the kinds of entitlement reforms that we are putting in black and white. I've written four budgets and passed them out of the House that do exactly what we want to do. So we've shown you in the House, we're here, we're ready, we know what to do, and we're ready to do it. We've put our votes there every year. So you do that, by the way, it's going to help our monetary policy which – don't get me started on that – but it's going to help our monetary policy by getting this fiscal policy off of its current collision course with monetary policy, stabilize investment horizons, stabilize the dollar in the future, and keep the promises to our seniors who, they organized their lives around which right now government is lying to people. Government does not have the means of keeping its promises to current seniors if we stick with the status quo. Therefore, we have to fix that.

CHAIRMAN TERRY LUNDGREN: I think that's all we have time for. Thank you Speaker Ryan. (Applause)

THE HONORABLE PAUL RYAN: Thanks. I appreciate it. (Applause)

CHAIRMAN TERRY LUNDGREN: Not short on point of view which we're glad to see. So thank you, Speaker Ryan. Thank you, Peter and Glenn, for your questions. By the way, we are going to serve you food. You're not just having salad today. We are going to serve you food shortly. The next meeting of the club will be a dinner event tomorrow evening with Chairman, or Premier Li of China which will be a very interesting evening for us. But in addition, just mark your calendars because we've got such an amazing lineup of presenters. We'll have this fall, the Federal Reserve Vice Chairman Stanley Fischer on October 17, political activist Charlie Cook on October 18. We'll have Amazon founder, Chairman and CEO Jeff Bezos on October 27, former mayor Mike Bloomberg on November, the 28th, Dallas Fed Reserve President and CEO Rob Kaplan on November 30, and the Commodity Futures Trading Commission Chairman Tim Massad on December 6. So quite a lineup of speakers. Try to get yourselves tickets early because there's going to be a big demand for all of these events. And now, enjoy your lunch. Thank you. (Applause)