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Saving the American Idea: Rejecting Fear, Envy, and the Politics of Division

The Honorable Paul Ryan

Abstract: *The American commitment to equality of opportunity, economic liberty, and upward mobility is not tried in days of prosperity. It is tested when times are tough—when fear and envy are used to divide Americans and further the interests of politicians and their cronies. In this major address at The Heritage Foundation, Congressman Paul Ryan dissects the real class warfare—a class of governing elites, exploiting the politics of division to pick winners and losers in our economy and determine our destinies for us—and outlines a principled, pro-growth alternative to this path of debt, doubt and decline.*

We're here today to explore the American Idea, and I can't think of a better venue for this topic. The mission of The Heritage Foundation is to promote the principles of free enterprise, limited government, individual freedom, traditional American values, and a strong national defense. These are the principles that define the American Idea, and this mission has never been timelier because these principles are very much under threat from policies here in Washington.

The American Idea belongs to all of us—inherited from our nation's Founders, preserved by the countless sacrifices of our veterans, and advanced by visionary leaders, past and present. What makes America exceptional—what gives life to the American Idea—is our dedication to the self-evident truth that we are all created equal, giving us equal rights to life, liber-

Talking Points

- The American Idea has done more to help the poor than any other economic system ever designed.
- The American Idea is that justice is done when we level the playing field at the starting line and rewards are proportionate to merit and effort. Others think that most differences in wealth and rewards are matters of luck or exploitation and that few really deserve what they have.
- The American Idea fosters solidarity and opportunity. The alternative is a false morality that confuses fairness with redistribution and promotes class envy instead of social mobility.
- Americans, guided by our ideals, have sacrificed everything to combat tyranny and brutal dictators. We have expanded opportunity, opened markets, inspired others to resist oppression, exported innovation and imagination, and welcomed immigrants seeking a fresh start.

This paper, in its entirety, can be found at:
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ty, and the pursuit of happiness. And that means opportunity.

The perfection of our Union, especially our commitment to equality of opportunity, has been a story of constant striving to live up to our Founding principles. This is what Abraham Lincoln meant when he said, “In giving freedom to the slave, we assure freedom to the free—honorable alike in what we give, and what we preserve.”

This commitment to liberty and equality is something we take for granted during times of prosperity, when a growing economic pie gives all Americans the opportunity to pursue their dreams, to provide brighter futures for their kids, or maybe just to meet their families’ needs.

These are tough times. We know all too well that too many Americans are hurting today, and these hardships have reopened our long-standing national debate over what it means to be an exceptional nation.

Have those periods of unprecedented prosperity in America’s past been the product of our Founding principles? Or, as some would argue, have we made it this far only in spite of our outdated values? Are we still an exceptional nation? Should we even seek to be unique? Or should we become more like the rest of the world—more bureaucratic, less hopeful, and less free?

Equality of Opportunity or the Politics of Division? The American Idea is not tried in times of prosperity. Instead, it is tested when times are tough: when the pie is shrinking, when businesses are closing, and when workers are losing their jobs.

Those are the times when America’s commitment to equality of opportunity is called into question. That’s when the temptation to exploit fear and envy returns—when many in Washington use the politics of division to evade responsibility for their failures and to advance their own narrow political interests.

To my great disappointment, it appears that the politics of division are making a big comeback. Many Americans share my disappointment—especially those who were filled with great hope a few years

ago when then-Senator Barack Obama announced his candidacy in Springfield, Illinois.

When times are tough, that’s when the temptation to exploit fear and envy returns—when many in Washington use the politics of division to evade responsibility for their failures and to advance their own narrow political interests.

Do you remember what he said? He said that what’s stopped us from meeting our nation’s greatest challenges is “the failure of leadership, the smallness of our politics—the ease with which we’re distracted by the petty and trivial, our chronic avoidance of tough decisions, our preference for scoring cheap political points instead of rolling up our sleeves and building a working consensus to tackle big problems.”

I couldn’t agree more. And yet, nearly three years into his presidency, look at where we are now:

- *Petty and trivial?* Just last week, the President told a crowd in North Carolina that Republicans are in favor of “dirtier air, dirtier water, and less people with health insurance.” Can you think of a pettier way to describe sincere disagreements between the two parties on regulation and health care?
- *Chronic avoidance of tough decisions?* The President still has not put forward a credible plan to tackle the threat of ever-rising spending and debt, and it’s been over 900 days since his party passed a budget in the Senate.
- *A preference for scoring cheap political points instead of consensus-building?* This is the same President who is currently campaigning against a do-nothing Congress when in fact, the House of Representatives has passed over a dozen bills to help get the economy moving and deal with the debt, only to see the President’s party kill those bills in the do-nothing Senate.

Look, we put our cards on the table. Earlier this year, the House of Representatives advanced a far-reaching plan filled with common-sense reforms

aimed at putting the budget on the path to balance and the economy on the path to prosperity.

But instead of working together where we agree, the President has opted for divisive rhetoric and the broken politics of the past. He is going from town to town, impugning the motives of Republicans, setting up straw men and scapegoats, and engaging in intellectually lazy arguments as he tries to build support for punitive tax hikes on job creators.

The Brick Wall of Math. The tax increases proposed by Senate Democrats and endorsed by the President—when combined with the new taxes in the health care law and the President's other tax preferences—would push the top federal tax rate to roughly 50 percent in just 14 months while doing nothing to promote job creation.

The proposed tax increase on so-called millionaires and billionaires would actually constitute a huge tax hike on the nation's most successful small businesses.

This tax increase on so-called millionaires and billionaires would actually constitute a huge tax hike on the nation's most successful small businesses. According to the Tax Foundation, the surtax would hit roughly 35 percent of small-business income. As P. J. O'Rourke put it, "The good news is that, according to the Obama administration, the rich will pay for everything. The bad news is that, according to the Obama administration, you're rich."

Actually, the news is even worse. As a practical matter, when you try to chase ever-higher spending with ever-higher tax increases, you eventually run into a brick wall of math.

The President has been talking a lot about math lately. He's been saying that "If we're not willing to ask those who've done extraordinarily well to help America close the deficit...the math says...we've got to put the entire burden on the middle class and the poor." This is really a stunning assertion from the President. When you look at the actual math, you quickly realize that the way out of this mess is to combine economic growth with reasonable, responsible spending restraint.

Yet neither of these things factors into the President's zero-sum logic. According to the President's logic, we should give up on trying to reform our tax code to grow the economy and get more revenue that way. Instead, these goals are taking a backseat to the President's misguided understanding of fairness.

Remember that 2008 debate, when ABC's Charlie Gibson pointed out that raising the capital gains tax rate actually tends to drive revenues down? Obama replied: "Well, Charlie, what I've said is that I would look at raising the capital gains tax for purposes of fairness." That's the kind of logic we are unfortunately seeing today.

Also according to the President's logic, spending restraint is incompatible with a strong, well-functioning safety net. The belief that recipients of government aid are better off the more we spend on them is remarkably persistent. No matter how many times this central tenet of liberalism gets debunked, like Brett Favre, it just keeps coming back.

Spending on programs for seniors and for lower-income families continues to grow every year under the House-passed budget—it just grows at a sustainable rate.

The President has wrongly framed Republican efforts to get government spending under control as hard-hearted attacks on the poor. In reality, spending on programs for seniors and for lower-income families continues to grow every year under the House-passed budget—it just grows at a sustainable rate. We direct tax dollars where they're needed most and stop spending money we don't have on boondoggles we don't need.

The President's political math is a muddled mix of false accusations and false choices. The actual math is apolitical, and it's clear: By the time my kids are my age, the nonpartisan Congressional Budget Office projects that the size of government will be double what it is today.

Health Care: Empowering Patients or Bureaucrats? Government health care programs alone will have grown to consume 45 percent of federal

spending. The primary driver of this increase is runaway inflation in health care costs, which are rising at two to three times the rate of GDP. It's impossible to keep funding health care expenditures at this rate. Even President Obama has said, "If you look at the numbers, Medicare in particular will run out of money, and we will not be able to sustain that program no matter how much taxes go up."

So the real debate is about how best to control these unsustainable costs, and if I could sum up that disagreement in a couple of sentences, I would say this: Our plan is to empower patients. Their plan is to empower bureaucrats.

The Republican plan gives individuals the power to put market pressure on providers and make them compete. The President's plan is to give 15 unelected bureaucrats in Washington the power to cut Medicare in ways that, according to Medicare's own chief actuary, would simply drive providers out of business. This would result in harsh disruptions and denied care for seniors.

Pain like this simply can't be sustained. So when it comes to out-of-control spending on entitlements, the President's math simply doesn't add up.

And his math is no better on the tax side. Let's say we took all the income from those the President calls "rich"—those making \$250,000 or more. A 100 percent tax rate on their total annual income would only fund the government for six months. Just six months!

What about some of the other tax hikes the President likes to talk about? Under the President's policies, deficits are set to rise by a whopping \$9.5 trillion over the next 10 years.

- Letting the top two tax rates expire would equal roughly 8 percent of that planned deficit increase.
- Eliminating tax subsidies for oil and gas companies would only equal 0.5 percent of the President's planned deficits.
- And what about corporate jet owners? That provision would reduce those deficits by just 0.03 percent.

Look, I'm all for closing tax loopholes, but you can't close our nation's deficits by chasing ever-

higher spending with politically motivated tax hikes here and there. Instead, tax reform must broaden the base and lower rates. This policy approach, which has attracted strong bipartisan support, would bolster our fiscal health by increasing competitiveness and encouraging more investment and job creation.

Misquoting Reagan: "There You Go Again." Lately, the President has been fond of taking Ronald Reagan quotes out of context, in an effort to persuade Republicans that Reagan would have agreed with the idea of using fear and envy to push a partisan agenda of permanently higher taxes. Every time he does this, I can picture Reagan shaking his head: "There you go again."

Obama quotes Reagan as saying that bus drivers shouldn't pay a higher effective tax rate than millionaires. Well, that's a no-brainer. Nobody disagrees with that. But it is simply disingenuous to use this quote as evidence that Reagan would have supported the tax increases that Obama wants Congress to pass.

Reagan's point was not that we should raise tax rates to chase out-of-control spending in Washington, but that we should get rid of loopholes that are exploited by the few so that we could lower everyone's tax rates and help the economy grow.

Reagan was attempting to build support for the landmark 1986 tax reform, a revenue-neutral law that reformed the tax code by lowering tax rates while broadening the tax base. Reagan's point—which President Obama clearly missed—was not that we should raise tax rates to chase out-of-control spending in Washington. His point was that we should get rid of loopholes that are exploited by the few so that we could lower everyone's tax rates and help the economy grow.

The House-passed budget includes this kind of tax reform, which many agree would provide an immediate boost to the economy. Our budget proposed getting rid of scores of loopholes, lowering the hurdles for job creation and economic growth, and making our tax code fair, simple, and competitive.

In his address to Congress last month, the President said he agrees in principle with this kind of reform, especially when it comes to the uncompetitive way we tax our businesses. This made Republicans think, well, we might have an opportunity here for the kind of genuine consensus-building that the President talked about as a candidate.

Yet he chose not to pursue this kind of tax reform. Instead, he sent us a partisan bill filled with the same stimulus proposals that failed two years ago, only this time he also asked for permanent tax hikes to go with them.

Corporate Welfare and Crony Capitalism. He's also failed to work with us on another area where one would think we could find common ground: ending the lavish subsidies and government benefits that go to those who are already successful. The House-passed budget was full of proposals to get rid of corporate welfare and crony capitalism.

- Why are tax dollars being wasted on bankrupt, politically connected solar energy firms?
- Why is Washington wasting your money on entrenched agribusiness?
- Why have we extended an endless supply of taxpayer credit to Fannie Mae and Freddie Mac instead of demanding that their government guarantee be wound down and their taxpayer subsidies ended?

Rather than raising taxes and making it more difficult for Americans to become wealthy, let's lower the amount of government spending the wealthy now receive.

The President likes to use Warren Buffett and his secretary as an example of why we should raise taxes on the rich. Well, Warren Buffett gets the same health and retirement benefits from the government as his secretary, but our proposals to modestly income-adjust Social Security and Medicare benefits have been met with sheer demagoguery by leading members of the President's party.

The politics of division have always struck me as odd: the eagerness to take more, combined with the refusal to subsidize less. Instead of working with us on these common-sense reforms, the President is

barnstorming swing states, pushing a divisive message that pits one group of Americans against another on the basis of class.

Class is not a fixed designation in this country. We are an upwardly mobile society with a lot of movement between income groups.

This just won't work in America. Class is not a fixed designation in this country. We are an upwardly mobile society with a lot of movement between income groups.

The Treasury Department's latest study on income mobility in America found that during the 10-year period starting in 1996, roughly half of the taxpayers who started in the bottom 20 percent had moved up to a higher income group by 2005. Meanwhile, half of all taxpayers ended up in a different income group at the end of 10 years. Many moved up, and some moved down, but economic growth resulted in rising incomes for most people over this period.

Another recent survey of over 500 successful entrepreneurs found that 93 percent came from middle-class or lower-class backgrounds. The majority were the first in their families to launch a business. Their stories are the American story: Millions of immigrants fled from the closed societies of the Old World to the security of equal rights in this land of upward mobility.

Telling Americans they are stuck in their current station in life, that they are victims of circumstances beyond their control, and that government's role is to help them cope with it—well, that's not who we are. That's not what we do.

Our Founding Fathers rejected this mentality. In societies marked by class structure, an elite class made up of rich and powerful patrons supplies the needs of a large client underclass that toils but cannot own. The unfairness of closed societies is the kindling for class warfare, where the interests of "capital" and "labor" are perpetually in conflict. What one class wins, the other loses.

The legacy of this tradition can still be seen in Europe today: Top-heavy welfare states have

replaced the traditional aristocracies, and masses of the long-term unemployed are locked into the new lower class.

Civic Solidarity, Open Markets, and Opportunity. The United States was destined to break out of this bleak history. Our future would not be staked on traditional class structures, but on civic solidarity. Gone would be the struggle of class against class. Instead, Americans would work, compete, and cooperate in an open market, climb the ladder of opportunity, and keep the fruits of their efforts. Self-government and the rule of law would secure our equal, God-given rights. Our political and economic systems—rooted in freedom and responsibility—would reward, and thus cultivate, traditional virtues.

Given that the President's policies have moved us closer to the European model, I suppose we shouldn't be surprised that his class-based rhetoric has followed suit. We shouldn't be surprised, but we have every right to be disappointed. Instead of appealing to the hope and optimism that were hallmarks of his first campaign, he has launched his second campaign by preying on the emotions of fear, envy, and resentment.

Pitting one group against another only distracts us from the true sources of inequity in this country—corporate welfare that enriches the powerful and empty promises that betray the powerless.

This has the potential to be just as damaging as his misguided policies. Sowing social unrest and class resentment makes America weaker, not stronger. Pitting one group against another only distracts us from the true sources of inequity in this country—corporate welfare that enriches the powerful and empty promises that betray the powerless.

Ironically, equality of outcome is a form of inequality—one that is based on political influence and bureaucratic favoritism. That's the real class warfare that threatens us: a class of bureaucrats and connected crony capitalists trying to rise above the rest of us, call the shots, rig the rules, and preserve their place atop society. And their gains will come at

the expense of working Americans, entrepreneurs, and that small businesswoman who has the gall to take on the corporate chieftain.

The False Morality of Equal Outcomes. It's disappointing that this President's actions have exacerbated this form of class warfare in so many ways.

- While the Environmental Protection Agency is busy punishing commercially competitive sources of energy, a class of bureaucrats at the Department of Energy has been acting like the world's worst venture capital fund, spending recklessly on politically favored alternatives.
- While the unemployment rate remains stuck above 9 percent, a class of bureaucrats at the National Labor Relations Board is threatening hundreds of jobs by suing an American employer for politically motivated reasons.
- And while millions of Americans are left wondering whether their employers will drop their health insurance because of the new health care law, a class of bureaucrats at the Department of Health and Human Services has handed out over 1,400 waivers to those firms and unions with the political connections to lobby for them.

These actions starkly highlight the difference between the two parties that lies at the heart of the matter: whether we are a nation that still believes in equality of opportunity, or whether we are moving away from that and toward an insistence on equality of outcome.

If you believe in the former, you follow the American Idea that justice is done when we level the playing field at the starting line and rewards are proportionate to merit and effort. If you believe in the latter kind of equality, you think most differences in wealth and rewards are matters of luck or exploitation and that few really deserve what they have. That's the moral basis of class warfare: a false morality that confuses fairness with redistribution and promotes class envy instead of social mobility.

I'd like to introduce President Obama to the Ronald Reagan he isn't so eager to quote—the man who said:

Since when do we in America believe that our society is made up of two diametrically

opposed classes—one rich, one poor—both in a permanent state of conflict and neither able to get ahead except at the expense of the other? Since when do we in America accept this alien and discredited theory of social and class warfare? Since when do we in America endorse the politics of envy and division?

President Reagan was absolutely right. Instead of policies that make it harder for Americans to rise, let's lower the hurdles to upward mobility. That's what the American Idea is all about.

The Basis of American Exceptionalism. You know, in the midst of all the joys and sorrows of our everyday lives, I think we sometimes forget why America was considered such an exceptional nation at its Founding and why it remains so. To me,

the results of the Founders' exceptional vision can be summed up in a single sentence: Throughout human history, the American Idea has done more to help the poor than any other economic system ever designed.

Americans, guided by our ideals, have sacrificed everything to combat tyranny and brutal dictators. We've expanded opportunity, opened markets, and inspired others to resist oppression; we've exported innovation and imagination; and we've welcomed immigrants seeking a fresh start.

Here in America—unlike most places on Earth—all citizens have the right to rise.

—*The Honorable Paul Ryan (R-WI) is Chairman of the Committee on the Budget in the U.S. House of Representatives.*