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JIM: How many times have you inadvertently wrote a check where there wasn’t enough money to cover it? What happened? You probably had a lot of penalties to pay and, if you do something like that often enough, you might find yourself in front of a judge. Our federal government is writing checks out every day that they don’t have enough money in the checkbook to cover it so what are they doing? They’re printing the money and, for those of you that have taken Economics 101 with supply and demand, the more supply you have of anything, the less it’s worth. Well, if we keep printing money, we’re going to have the same effect. Joining us today to help share some light on what the problem is and what we might be able to do to fix it is Congressman Paul Ryan, Chairman of the Ways & Means Committee, and, at the recording of this, is in the middle of helping to draft this year’s budget from the House of Representatives. Welcome, Congressman.

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PAUL RYAN: Hi, Jim. It’s good to be with you. Thanks for having me.

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JIM: It’s great to have you back and I know you’re right in the middle of working through the budget issues and everything right now so I really appreciate you taking the time and, with you being Chairman of the Ways & Means Committee, I thought you could maybe give our listeners some insight of what’s going on. Many of our listeners recall your proposals with social security and Medicare, there’s a lot of problems and a lot of challenges on the federal government. What I’ve seen and my passion of doing this program is we had a negative savings rate about 10 years ago and out of control consumer debt. It seems like American citizens have fixed that. We’ve seen states and municipalities having problems and, across the nation, we’ve seen them kind of fixing it, and then we get to Washington and it seems like we just keep spending and spending and spending. Do you see some hope for us in the future and what do you see it would take to fix our budget crisis that we seem to have?

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PAUL RYAN: Well, I think your assessment is pretty much right on the target and, I hate to say it, but I think an election where we have someone in the White House who’s willing to work with us to get our entitlements under control is what is necessary. I do believe that we will get the entitlements under control and the reason I say that is because we have no choice but to get our entitlements under control. Now, I’ve been offering budgets for years. I’ve written eight budgets now that balance the budget, that pay off the debt, that reform programs like Medicare and social security and Medicaid so that they’re solvent, so that they themselves don’t go bankrupt, but also so that the country averts a bankruptcy. Unfortunately, we’re still on the same path and we have been able to pass these kinds of bills and budgets through the House of Representatives but nowhere else. We now have an opportunity to pass a budget through the Senate. I think the Senate will, this year, pass a budget much like what we’ve been doing in the House lately but, as a person who has been trying to negotiate with the White House for the last six-plus years, a big budget agreement, it’s just not something that the President is interested in doing. Unfortunately, we’re going to have to wait for a new administration to really make progress on this. In the meantime, I think there are some smaller fiscal issues that are going to come to the floor in the next year or so that, hopefully, we can make a few steps in the right direction, make some minimal progress. There are a few deadline driven events coming up this year that I think give us, hopefully, an opportunity to make some progress on a few issues, sort of confidence building measures of fiscal policy of making government work but, at the end of the day, in order to really balance this budget in this office, debt crisis that is coming in the future, we are going to have to reform major government entitlement programs and that’s just, unfortunately, not something that this President is willing to work with the Congress on. It is not for our lack of trying. It just is what it is and so that’s why we’re hoping the next session of Congress we can really make a difference on this. I’m planning it. I’m preparing it. We’re getting the legislation written. We’re doing the committee hearings. We’re trying to make the case and we’re just trying to get the political system in line so that we can actually get these kind of things done.

3:31

JIM: When we talk about budgets, and this isn’t a Republican or Democrat issue, but it seems like these lines are being drawn in the sand all the time and I just look at it from my own personal household, I cannot spend money that I do not have and, if I use a credit card to do that, at the end of the month, I get this bill and then there’s interest on top of it and it gets to the point where a lot of people have got themselves in trouble by taking that stance. What can the average American citizen do because I’ve got to believe this isn’t just a Republican issue? I’m sure there’s people on the Democratic side as well as on the Republican side that see this as a problem.

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PAUL RYAN: Absolutely.

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JIM: But anyone of them, if they have guts enough to talk about it, it seems like social security and Medicare, those are sacred cows, we can’t do anything to touch them but, if we don’t touch them, they’ll be gone. I think if everybody makes a little sacrifice, we can make these things solvent because I know when these systems were designed, people weren’t living to 95 or 100. They were designed for people that might live a couple of years beyond 65. Life expectancies were so much shorter so we can’t have a system that’s going to sustain people for 30 or 35 years all their income needs. It was meant to help people who lived a long time so do you see people on both sides of the aisle that recognize this issue that we can build consensus?

4:45

PAUL RYAN: I do. Unfortunately, it’s just not the left wing of the Democratic Party, which is really, unfortunately, where the President comes from. Take Erskine Bowles, for example, from the Bowles-Simpson Commission, or Ellis Ritalin, President Clinton’s former Budget Director, or even some elected Democrats in the House and the Senate. There are a handful of whom would agree with everything you just said and, I think, would be willing to vote and propose legislation to fix those things. My co-author on comprehensive Medicare reform to save Medicare from bankruptcy is a guy named Ron Wyden who is a Democrat who is a Senator from Oregon who is the ranking Democrat on the Senate Finance Committee, the major committee involved here. There are Democrats who do agree on this so, like I said, my partner on this particular major issue of Medicare reform, which is the biggest fiscal challenge of all, is a Democrat so I do think that there’s an opportunity in the future to have bipartisan consensus to get these things done, to avert a debt crisis. As I said earlier, though, unfortunately, this President will not do that. I’ve had lots of conversations with him and made many proposals and there’s just an interest on his side to do that so, in the meantime, we’re going to see what little progress can be made. I will say, at the end of this month, there’s a flaw in the Medicare formula for physicians, which will lead to a 21.2% cut to their reimbursement rates and, if doctors are cut by over 20% this year in Medicare, the great consensus is that they’ll just stop taking Medicare patients. You’ll just have a huge loss of assets to physicians in the Medicare program if that happens and so we, this is something my committee is in charge of, are working at preventing that from happening and we’re looking at some fiscal reforms to the other parts of the Medicare program that can help pay for that to make sure that we don’t lose doctors in Medicare but, also, we can bring some fiscal solvency over the long-term to Medicare and some sort of I would say medium-size ideas. If I can’t get a grand slam or a homerun, I’m going to try to get a single or a double, but we’re talking with the administration about maybe getting a single or double and so that deadline driven event that is right before us here on physicians with respect to Medicare is also a forcing mechanism or agent that gets us to think about and act on doing some things to shore up the Medicare program. It may not be the comprehensive reforms that say Ron Wyden and I are talking about but maybe some incremental steps in the right direction and that is why I say, in this session of Congress, there are a few deadline driven events like this Medicare doctor issue that I think can, hopefully, force us to make at least some incremental improvements in the situation and, if we can do that, I see that as a confidence building measure for our political system, for the bond markets, as a step in the right direction to help get some momentum to really fixing these big problems, which I do believe will have to be a little later on but, hopefully, we can make a couple of these moves in the right direction.

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JIM: For our listeners, the budget issue is an American problem. It’s not a Republican or Democrat. I’ve heard some of the senators on the Republican side. They don’t seem to want to make a lot of tough choices either and, pretty soon, we’re going to have to have somebody who is a good leader and we’ve seen it on the governors. We’ve seen both Republicans and Democrats make some tough decisions as leaders and balance those state budgets and, now, we’re at a situation in Washington and what would you recommend that the average person listening to this program, what can they do about it, because I know a lot of us just feel helpless? Is anything going to happen? Make a suggestion that people can do to maybe get their representatives attention.

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PAUL RYAN: I’d say come up to speed on the issues. Look at the proposals that are out there and then ask and demand your elected official to do something, to act, to lead. What it is, there’s a lot of political fear that just grabs members of Congress, that captivates people from, if you change the status quo, you will pay a political price for doing so. I jumped over that rubicon long ago by offering very detailed budgets that completely changed the status quo, that fixed these programs and make them solvent, but it means change of the status quo. It means making things different than what they are and that is considered politically risky. Now, I believe the alternative to these kinds of reforms is bankruptcy and that’s the worst of all worlds so that’s the calculation I’ve made but there are a lot of elected officials who are nervous about these things and, so, look, go to our website at the Budget Committee or the Ways & Means Committee where you can look at the past prosperity budgets that we’ve offered. They’re written in very readable formats and they show literally a blueprint for how you balance the budget, save these programs from bankruptcy, and pay off our national debt. Apprise yourself of these things and then hold elected officials accountable. Ask them to stand up and take these difficult political votes to save our country from the path of bankruptcy that we are on because, if people in Congress don’t hear from other constituents, if they don’t hear from the public about their demands to bring fiscal sanity to Washington, then all they will hear are the voices against change. All they will hear are the voices from the Senate floor. All they will hear are the voices that raise the political price for making these difficult decisions and the argument I make to everybody on this issue is, if we just keep kicking the can down the road, it’s going to be much uglier. Right now, what we’re showing is, if you reform these programs, you can reform them prospectively. That means we do not have to change the benefits for anybody who is in or near retirement. Medicare and social security can stay the same for those people who are already on the program and those people who are about to go on the program but we have to act now and we have to reform it for younger people, people who are in their 50s and 40s and 30s and 20s so that they’re there for them when they retire and so that we can get ourselves off this bankruptcy path but, if we keep kicking the can down the road, if we keep going a day after day after day where we have 10,000 people retiring every day in American and the baby boomers retire in full force, then we will have bankruptcy and we will have to cut people in real time currently on the program and that’s going to be even uglier and, so, the argument is a stitch in time saves nine. Start now. Reform these programs so that we can do it on our own terms in the country so that the promises that people banked their retirements on are still met and kept to them and, if we don’t do that now, if we don’t change these things soon, then those promises will be broken, then people will see severe reductions in their retirement after they’ve already retired, and that’s what we’re trying to avoid.

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JIM: I really appreciate your message, Paul, and I think one of the most important things you’ve said is get informed. Now, we’re both from Wisconsin and Wisconsin has been in the news a lot over the last few years and we have a governor that made some tough, very unpopular choices, and also very popular choices, depending on what side you’re talking to. As a financial advisor, I try not to get in the middle of politics but I’m a math guy and I look at the numbers. I have a very deep understanding of how the pension system worked here in Wisconsin and they made some reforms and, boy, the scare tactics that were used about how terrible it was going to be when they made these reforms, I’m finally starting to get some clients coming in that are retired teachers or current teachers and I’m also getting some clients in that are also in the public sector and they’re saying to me it wasn’t as bad as they said it was going to be and I guess, if it’s the difference between having my promises kept on my pension statement or losing it all, I guess it wasn’t the worst thing. Our federal government has the benefit of being able to print money, which our states don’t, so they had a little bit more of a sense of urgency but, if you just print the money to cover the checks, it ain’t going to be worth a whole heck of a lot so we do need to make some tough decisions. What I would encourage people to do is get beyond the rhetoric and just consider the math behind these proposals. You can’t have a trillion dollar deficit and never have to pay for it. It’s going to affect us all. I really appreciate what you’re saying. I appreciate the fight you’re carrying and I don’t think it matters what letter people have behind their names. We’re Americans and we need to unite as Americans, make some tough decisions, but, if we don’t make those tough decisions now, as you said, we’re going to pay a huge price in the future. I’m scared to death for our kids and our grandkids if we don’t start doing something now because the problem is just going to get bigger and bigger.

12:24

PAUL RYAN: That’s exactly right. We need to have a sober view of the world as it is, not as what we wish it would be. We need to get in and fix these problems before they get out of our control. Currently, we’re in a situation where we can make sense of these problems, we can do them on our own terms, and we can do it before it gets out of our control and that, to me, is just why it makes so much sense but, unfortunately, we just have not had the political consensus and the ability in this government we have to put these important, necessary, pre-emptive reforms in place and, so, I’m very much hoping that we can get there very, very soon so that we look back and see that we took on the challenges of our time and America was better off and the American idea, this notion that the condition of your birth doesn’t determine the outcome of your life, that your kids are going to be better off than you are, that you can pass onto the next generation a more promising future, that must be maintained and kept alive and, unfortunately, you know, really, for the first time in our country’s history, we are at risk of severing that tie. We are at risk of compromising that promise. I really worry about that as well and I’m just hoping that we can get what it takes to get it done and that’s what I’m trying to do.

13:26

JIM: Paul, I don’t always agree with everything that you say but, when it comes to the math behind the budget, I’m 100% behind you and I appreciate you continuing to fight the fight. I don’t know how many people are willing to keep carrying that burden when there’s all this political backlash and media backlash. Everybody wants to kick the can down the road and ignore what’s in front of us but I appreciate what you’re doing for us.

13:47

PAUL RYAN: I really appreciate it. Thank you, Jim.

13:49

JIM: Thanks for joining us this week and tune in again next week as we explore another phase of the Real Wealth process and, remember, if anything you heard in today’s show you’d like to get more information about, contact your Real Wealth advisor. Also, if you feel that any of this information would be helpful to a friend or family member, just click the Forward to a Friend button.