

# THE ECONOMIC CLUB

---

O F W A S H I N G T O N, D. C.

**Excerpts from the Signature Event featuring The Honorable Paul D.  
Ryan, Speaker of the U.S House of Representatives**

**September 28, 2016**

I feel very good about where our Members are [*in the election campaign*]. We have good – really strong Members who are running great campaigns. And so, so far, so good. We look like we’re going to be able to keep the kind of strong majority we have.

I feel better about it [*retaining a majority in the Senate*] today than I have in months, actually. If you asked me this question six, seven weeks ago, I was a little worried. I feel much, much better now. I think Rob Portman [*Ohio*] is in very good shape. I think Kelly Ayotte is doing well. I think Pat Toomey is doing extremely well. I look at the races. I think Ron Johnson, basically a tied race with Russ Feingold. So if you look across the country and the landscape, I think Joe Heck is going to win in Nevada, which is a pickup for us. So I think we’re doing pretty darn well over there, too.

I’m the guy who authored the Trade Promotion Authority legislation so we could go out and get trade agreements, so obviously I’m in favor of getting good trade agreements. The Administration negotiated one in particular though, TPP (Trans-Pacific Partnership), which I believe they negotiated to try and attract more Democrat votes. That came at the expense of lots of Republican votes, and they did not achieve an additional Democrat vote. So you have an agreement here which I think was designed to cater toward more Democrats – curtailing intellectual property protection for biologics, singling out commodities from what we call ISDS protections, I can go on and on. Those votes are not there now. So we are down a significant amount among Republicans because of the quality of this agreement, and they did not pick up any single additional Democrat votes. So the last thing I want to do, just for the sake of our allies’ relationships, is bring up an agreement only to see it fail. And so this agreement has got to be improved and fixed, and that’s not going to happen in the next couple of months as far as I can tell.

. . . as Budget chair, that was always my goal, to get back to what a regular-order system – where we do individual bills – you just have better government that way, more transparent government.

I believe we need to rewrite the way the budget process works. I’m actually now a big fan of going to a biannual budgeting system. It’s what states do. I think it gives us more certainty and predictability. So we’re actually working on bipartisan biennial budgeting legislation, among some other things, to redesign this budget process so that we actually have real, enforceable spending caps, but we actually have a process where we actually don’t just keep kicking cans down the road, and we actually get into the guts of spending and take it seriously and pass individual appropriation bills. I think that’s important because it seems these days the only time you get a real appropriations process is when we have total unified government. We have to have a process that can endure divided-government moments like what we typically have, and that is not the way this budget process is wired right now.

There is a reason to have a debt limit, because you want to have some speed bumps. I mean, look at where we’re going. And that’s something I’m extremely concerned about. This is why I spent most of my time working on entitlement reform. And debt-limit votes give us opportunities to try and get agreements. The BCA – the Budget Control Act – and then the Murray-Ryan agreement that came after that were all from debt-limit votes. So those give us moments and opportunities to actually get some fiscal consolidation that is much-needed.

I think our fiscal policy right now is on a direct collision course with our monetary policy. And if we can get our fiscal policy to carry the load for the economy, that will take pressure off our monetary policy. So what that means, in my mind, number one, the Tax Code has got to be reformed. I spend a lot of time on this. We have an actual tax reform bill we're proposing. I think tax reform is number one. I think regulatory relief for business development and growth is extremely important. And then this all goes into a budget. I think you need to have some entitlement reform if you want to get our debt horizon under control.

It's not unrealistic [*to try to accomplish individual and business tax reform simultaneously*]. . . . I think we've sort of found the secret to success on this. When I was Ways and Means chair, I changed the way our scoring procedures work. I spent a lot of my life working on modeling – we call it scoring, on dynamic scoring. The Joint Committee on Tax now has three models that we use that try to get as close to measuring reality as possible, taking into consideration behavioral changes that occur per tax changes. We now have good modeling, and we have put out a tax reform bill that is very close to revenue-neutral, that actually gets us to a competitive tax system for individuals and businesses.

We offered one [*a compromise on repatriating money from offshore earnings*] last year when I was the chair of Ways and Means. The other side of the aisle for the most part believes that we should continue to have a worldwide tax system, but simply end deferral. That's the position in which they begin negotiations and operate from. We believe that we should have a pure territorial system because everyone else in the world – England and Japan finally switched over. It makes a lot of sense. I do believe that this issue's coming. I don't think you can stand against a territorial system much longer. Whether you're going to invert or we'll just have takeovers, of foreign companies buying U.S. companies left and right, the only way to stop that is not to have Treasury be more punitive on companies. It is to switch us to a territorial system.

We have the bill ready to go. We have it perfectly scored. We know how to do it. And we believe that the way we design it is, if we switch over to a territorial system, that's going to be very good for capital, it's going to be very good for economic growth and jobs. And by the way, it brings revenues into the window, which we had proposed before, some of which could go to, say, the Highway Trust Fund or infrastructure. That was what we had offered last year. That was not taken up by the other side of the aisle. My guess is they will think twice about rejecting that offer again.

In our bill, we collapse the seven rates into three – top rate being 33 percent, bottom rate being 15 percent. There's a 25 percent rate in the middle, I think. And then we take the pass-through rate – all pass-through income, like sub-SES3, LLC4s, goes to 25 percent. Remember, they're taxed once. Corporations are taxed twice because there's dividends and capital gains, so we bring the corporate rate down to 20 percent. We take dividends and capital gains and take that as a 50 percent exclusion, which is a top rate of 16 percent.

With a territorial tax system, that we believe will create about 1.7 million new jobs, add nearly 10 percent growth to the economy, and we could do it in a relatively revenue-neutral way.

*[Immigration reform]* has got to be done in stages and pieces, not some big massive bill that ends up collapsing under its own weight. I've said this all along. What happens when you bring some massive bill, like they did in the Senate? There are too many people opposed to too many provisions in it, and it can't pass. It has to be staged. And for us, what's so important is to make sure that we actually have security first, that we actually have a secure border. So many people are worried that we'll do an immigration reform, which will be an incentive for more illegal immigration because we didn't get the security piece right.

You have to have the border and interior security done correctly. And we all know how to do that with an electronic verification system, to go after identity theft, to have the requisite measures to have border security. We have a heroin problem. We have an ISIS problem. That needs to be addressed. Then we also need to fix the legal immigration system, which is broken, to supply the economy with the labor which is not being supplied, which is important just for future growth and for getting our system right, and converting our legal immigration system into an economic-based visa system from what it is today. I think that's extremely important.

I've written extensively on what we ought to do with the undocumented. I think there's a non-amnesty way of dealing with this in a smart way. But those things take time. They take confidence-building measures. And that starts with securing the border.

*[My biggest concern in terms of international issues]* Number one is ISIS. Number two is a revanchist Russia. And I just think our standing in the world is slipping. I think that our military is getting hollowed out. I do believe – I know this sounds like a cliché – but I think our adversaries fear us less and I think our allies are now wondering if we're really as strong as we need to be or as we were. So I do worry about the rise of certain countries that will jeopardize the global commons, that will jeopardize, you know, peace and trade. South and East China Sea is a concern. North Korea is getting really aggressive. They're moving much faster than they ever had before.

We have to come up with a better plan for dealing with the ideology that fuels ISIS. And we are not doing that. We're completely reactive, and we're not even reacting very well right now with respect to ISIS. . . . We have to do a better job of dealing with the ideology itself, and working with a coalition of moderate Muslim countries to jointly together deal with this ideology.

So the greatest thing in this job is to be able to push the fold and set the agenda. That's why the greatest joy I've had this year is getting all 247 House Republicans to put out a comprehensive Obamacare replacement plan, a comprehensive tax reform plan, a comprehensive poverty and welfare reform plan, a national security strategy, an overhaul of our regulatory system. What I try to tell our Members is, instead of squabbling over small-ball tactics – you know, the funding resolution at the end of the week – let's raise our gaze to a horizon that we all are shooting for.

We share the common principles. Let's apply those principles to the problems, offer the country a better way – that's why this is called *A Better Way [a legislative agenda created by Republicans]* – and fight over big stuff instead of small stuff. Number one, it's unifying. Number two, it's why we're here. And so that is why we are in these jobs, because we believe in making a big positive difference. And I have to tell you when 70 percent of this country doesn't like the

path we are on, that's not just Republicans. That's 70 percent of the country. And so it's our job to offer an alternative. And being Speaker gives me the ability to push us in that direction.

What I have every committee in Congress doing right now is getting prepared for the legislation of 2017. I learned this – I have been a chairman of two committees. If you wait until January to then start doing your work, it's September by the time you're ready to go. So we're getting every committee ready to go, I's dotted, T's crossed, in the queue, so we can start hitting the ground running in January.

The lesson I try to pull into this campaign, is to have a more coherent, specific agenda, so that people can sink their teeth into it, so that they know they're not just voting for a personality but they're voting for a cause, an agenda – solutions. I've always, always believed that we win ideas contests and we lose personality contests.

I got this from Jack Kemp. Jack Kemp, in 1980, took his economic agenda that he and other House Republicans formed – back then they called it supply-side economics – and grafted it on with Ronald Reagan and his peace through strength, defeat the Cold War – defeat the Soviet Union Cold War agenda. They merged agendas, brought it to the Nation, won a landslide, earned a mandate, implemented it and it was successful. That, to me, is the prototype for what a Presidential election needs to look like.

I'm always optimistic. I look at the glass of life as being half full. That's just my general disposition. But I do worry that if we don't turn things around quickly, we won't be able to fix things on our own terms.

Look at the demographic challenges coming in the future. And then look at the unfunded liabilities facing us, and the debt crisis that's coming. And look at the fact that as the world's reserve currency, we're really not acting like it.

I believe we have a short window in which we can turn these things around, get us from this vicious cycle onto a virtuous cycle, and do it on our own terms as a country. . . . We've got a labor force participation rate that is, you know, at Jimmy Carter levels. We've got 94 million able-bodied people out of the workforce – some by choice, many not. Many not even in school or looking for a job. So we've got a poverty trap we've got to deal with. We've got a debt crisis coming. We've got anemic growth. And we have a tax code that is basically pushing companies overseas. The point in all of this is that these are fixable problems, and these are problems that are fixable today and now, if we can get the political planets to align well enough to get these things done, turn them around, dodge the bullet of a debt crisis, get able-bodied people on the ladder of life in the workforce, get growth going again, and get us another great American century.

. . . if we blow this chance and kick the can down the road another, I don't know, half a dozen years, we will be shackled to a debt crisis where the options available to us then will be extremely ugly, socially chaotic, and we will limp through the moment. And we will lose this opportunity we have in front of us.

