

The President's Fiscal Approach to Having It All

A vision of strengthening entitlements while reducing the debt

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WASHINGTON, DC - APRIL 13: President Barack Obama speaks about fiscal policy at George Washington University in Washington, DC. He laid out his plan for deficit and debt reduction. (Mark Wilson/Getty Images)

America's entitlement programs plus national security account for two-thirds of the national budget, he said.

The president said Republicans and Democrats need to come together and restore the fiscal responsibility that was achieved in the 1990s under former President Bill Clinton and a Republican dominated Congress.

A government shutdown brought the nation together to revive and restore an endangered Social Security program, and the country was on the path to surpluses and the elimination of its debt, he said.

Then came the wars in Iraq and Afghanistan, the Bush tax cuts, as well as an unfunded prescription drug program, all of which Obama blamed for the \$1 trillion dollar deficit he inherited when he took office.

"In the last decade, if we had simply found a way to pay for [the tax](#) cuts and the prescription drug benefit, our deficit would currently be at low historical levels in the coming years," said the president.

A set of principles, rather than specifics, dominated the president's vision for fiscal responsibility presented to an audience of students on April 13.

"This debate over budgets and deficits is about more than just numbers on a page, more than just cutting and spending. It's about the kind of future we want," said President Barack Obama near the beginning of his speech at George Washington University in Washington.

Obama simultaneously affirmed his commitments to [Medicare](#), Medicaid, Social Security, and unemployment benefits, and told Americans that the programs must be strengthened in order to be sustainable.

The president's plan is meant to reduce the national debt by \$4 trillion within 12 years. This number is similar to the plan offered by chairman of the House Budget committee, Paul Ryan (R-Wis.), which came as the first serious proposal on entitlement reform.

The president's long-awaited address on debt reduction served as a response to Rep. Ryan's plan. After his debt-reduction commission reported last December, and in his 2012 budget request, Obama avoided discussing entitlement reform directly.

Ted DeHaven, budget analyst with the Cato Institute, said Obama's timing came across to him as "sort of like playing a piece on a chessboard."
"He didn't really offer anything concrete or substantive on deficit reduction ... He was kind of getting lost in the debate there," DeHaven said.

Differing Policies

DeHaven, a conservative economist, said he was concerned that the president's budget brings spending back into the debate and doesn't do enough to focus on spending cuts.

Part of the president's key priorities include making larger investments in clean energy, education, and infrastructure. In contrast, Ryan's plan would cut clean energy subsidies by 70 percent, education by 25 percent, and transportation by 30 percent.

Obama believes that it is critical to invest in these key areas in order to provide opportunities for the middle class and youth to "win the future."

Another key party difference was about defense. Ryan's plan leaves the defense budget untouched, while Obama has asked the military to complete a fundamental review of America's mission in the world, after which the president will propose savings.

"I have no greater responsibility than protecting our national security, and I will never accept cuts that compromise our ability to defend our homeland or America's interests around the world. But as the chairman of the Joint Chiefs, Admiral Mullen, has said, the greatest long-term threat to America's national security is America's debt."

The president also called on Congress to complete work on reforms to both the individual and corporate tax codes, and get rid of itemized deductions for the wealthy.

The president also made it clear that he would not support another extension of the Bush tax cuts for the rich.

"I refuse to renew them again," he said.

Obama said he did not believe the wealthy (such as himself) needed or wanted the tax cuts. "I believe that most wealthy Americans would agree with me."

About Medicare and Medicaid, the president stood by his commitment to his signature health care reform bill as the primary way to rein in costs, but emphasized a few points.

He proposed strengthening an independent advisory board that would monitor the programs and recommend cost savings.

He also suggested using Medicare's purchasing power to lower the cost of prescription drugs, working with states to change incentives and incorporate preventive care policies.

The president's health care views contrast sharply with Ryan's plan, which proposes a cost cap and voucher system to limit payments to seniors and the disabled. Medicaid payments would go to [insurance](#) companies, instead of the current recipients: hospitals and doctors.

There is a battle line forming on health care issues, said Dehaven.

Obama strongly criticized the Republicans' fiscal plan, saying that it basically ends health care, and other entitlements as we know them.

“This vision is less about reducing the deficit than it is about changing the basic social contract of America,” Obama said.

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The president repeatedly reiterated his commitment to keeping the country's entitlements intact and protecting them for future generations. He challenged [progressives](#) to prove that it could be done in a fiscally responsible manner.

As a fail-safe, he suggested a trigger that would require Congress to act in 2014 if the debt is not steadily declining by then.

In the audience were the popular co-chairs of the bipartisan debt commission, Erskine Bowles and Alan Simpson, key cabinet members, as well as Republican leaders.