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## Obama lays out vision for curing U.S. fiscal woes

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WASHINGTON (Reuters) - President Barack Obama on Wednesday laid out his long-term strategy to reduce the U.S. budget deficit by \$4 trillion over 12 years.

He proposed four steps: savings on the defense budget, elimination of waste in healthcare spending, control of domestic expenditures, and reform of the federal tax system.

Here are the views of analysts on Obama's proposals.

NORMAN ORNSTEIN, RESIDENT SCHOLAR, AMERICAN ENTERPRISE INSTITUTE, WASHINGTON:

"He actually did what he wanted to do, which is to reframe this debate and give himself both a credible plan that won't have the left going ballistic but also gave him the running room to criticize the (House Budget Committee Chairman Paul) Ryan plan."

"The Republicans have captured the narrative for the last month or two months. Now he's got a plan that's credible enough to really begin to talk about two different visions."

"Because he really pretty vigorously picked apart the Ryan budget, he will get a lot of hearts beating faster in his own base."

JEFFREY FRANKEL, ECONOMICS PROFESSOR, HARVARD'S JOHN F. KENNEDY SCHOOL OF GOVERNMENT, CAMBRIDGE, MASSACHUSETTS:

"It's balanced. It isn't as if anyone else has a plan. He did an excellent job of pointing out how it's simply not possible to eliminate the budget deficit by cutting foreign aid or Planned Parenthood or whatever. You have to take a broad approach and he explained all the different components."

"He was just specific enough to lend credibility to it."

"If he had come out any earlier with this level of specificity, he would have just been (attacked) for wanting to raise taxes. If he had waited any later, he would have lost the moment as so many people have been saying. Everybody was saying, 'Where's the leadership?'"

CHRIS EDWARDS, DIRECTOR OF TAX POLICY STUDIES, CATO INSTITUTE IN WASHINGTON:

"He calls it a framework but there's not much new here. The only new thing I see is a debt fail-safe trigger to cut spending and hike taxes automatically. That's obviously not going to fly with the Republicans."

"There's nothing new with tax reform. He said the exact same thing in the State of the Union. There's no content to the non-discretionary spending."

"He flatly rejects Ryan's block grant of Medicaid. But then his ideas of saving money on Medicaid are extremely vague."

"On Medicare, I'm scared that he would strengthen the so-called independent payment advisory board. This is what rationing is ... where the government has a sort of central authority over healthcare spending. And to save money, they just keep tightening top-down regulations and control over what healthcare is provided. I think that frankly should be pretty scary to Americans."

DOUGLAS HOLTZ-EAKIN, FORMER CONGRESSIONAL BUDGET OFFICE DIRECTOR AND PRESIDENT OF AMERICAN ACTION FORUM, WASHINGTON:

"It's pretty underwhelming, in my view. It's by and large more of the same on taxes, healthcare, nothing on Social Security. He's kicked everything to Congress and told them to go do the work. This looks like version 2.0 of a bad budget."

WILLIAM GALSTON, SENIOR FELLOW, BROOKINGS INSTITUTION, WASHINGTON:

"Put very simply, the president has gotten off the sidelines and into the game. He has done at least what a lot of people have been calling for. He has established a specific deficit deduction target within a specific time frame and he has put some proposals on the table with some numbers attached to them. This is an opening bid in what will clearly be a negotiation."

CARL BIRKELBACH, HEAD OF BIRKELBACH MANAGEMENT IN CHICAGO:

"There seem to be two opposing views. The Ryan view, which talks about cutting expenses, taxes, and really goes into the whole Medicare issue. As an alternative, Obama has some spending cuts, but nothing as drastic as Ryan proposes. He also leaves Medicare off the table, at least for now."

"What the market is looking at right now is the spending cuts. Because of the Tea Party, it looks like we could have more spending cuts than Obama would have on his own. If that's the case, the recovery could be damaged and the recovery is already being damaged by high oil prices."

ROBERT ALBERTSON, CHIEF STRATEGIST AT INVESTMENT BANK SANDLER O'NEILL+PARTNERS, NEW YORK

"I don't know where the political will is on this. But the government is underestimating the risk and damages of what rising rates might do to the budget and the U.S. economy. I think they are playing too much with fire."

JOHN SPINELLO, TREASURY BOND STRATEGIST, JEFFERIES & CO., NEW YORK:

"The more important thing is that the Republicans are not going to sign it -- they're not even going to read it. They're just going to reject it.

"It's going to be a war game for another year. The debt ceiling will get passed, but the hemming and hawing about spending cuts and tax hikes is going to go on for a long time."

CARY LEAHEY, SENIOR ECONOMIST AND MANAGING DIRECTOR, DECISION ECONOMICS, NEW YORK:

"The bond market's immediate reaction is muted because it has seen this all before."

"The president has already asked congressional leadership to come up with a bipartisan committee consisting of 16 members of Congress led by Vice President Biden which will begin in May. This offers the financial markets the tantalizing prospect of the long dreamed-of 'grand compromise' that would obviously be good for all dollar-denominated assets. However, the devil is in the details and the details have to be dealt with starting today."

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