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Deficit Commission Could Provide Obama Platform On Belt Tightening

By Corey Boles, Of DOW JONES NEWSWIRES

WASHINGTON -(Dow Jones)- The co-chairmen of a deficit commission established by the White House have laid on the table a wide range of suggestions for reining in the out-of-control federal budget debt. So what happens next?

The panel was charged with reporting back to the White House by Dec. 1 with a final series of suggestions. If a supermajority of 14 of its 18 members agrees to the recommendations, votes on them would be triggered in Congress.

Few economists believe the commission will be able to meet that threshold, but say the findings will provide a platform for President Barack Obama to take the case for fundamental spending change to the American people.

It will then be up to the president to make the case to the American public for the tough austerity measures that will be necessary to improve the federal government's dismal fiscal picture, economists said Thursday.

"Only the president of the United States is in a position to lead the necessary public education and engagement on this," said David Walker, former comptroller general of the Government Accountability Office and founder of the Come Back America Initiative, a not-for-profit organization that promotes fiscal sustainability.

Wednesday's release of draft proposals from the co-chairmen of the deficit commission will form the backdrop for a national debate on ways to bring down the U.S. federal debt. But without leadership from the president, the commission's ultimate findings could end up collecting dust on a shelf, several economists argued.

The co-chairmen--Clinton White House chief of staff Erskine Bowles and former Republican Sen. Alan Simpson of Wyoming--released a comprehensive series of options for reining in government spending.

The recommendations range from short-term spending cuts to longer term fundamental overhaul of the tax code and substantial changes to the Social Security and Medicare programs.

"The president has been somewhat reticent to exert his leadership on this issue," said Eswar Prasad, an economist at Cornell University and senior fellow at the Brookings Institute, a think tank. "Here he has to seize the mantle and define his vision very clearly."

Speaking in South Korea where he is attending a meeting of the G-20, Obama said he set up the commission precisely "because I'm prepared to make some tough decisions."

"If we are concerned about debt and deficits, then we're going to have to take actions that are difficult, and we're going to have to tell the truth to the American people," the president said.

Almost since the beginning of his presidency two years ago, Obama has spoken about the need to tackle the long-term fiscal imbalances the country is facing, but he has also stressed that the more pressing need was to right the economy before doing so.

Now, in the aftermath of the stinging electoral defeat the Democrats received in the mid-term elections two weeks ago, and with the provisional proposals being made public by the commission he established, experts say Obama will be under considerable pressure to demonstrate he is serious about dealing with the looming fiscal crisis.

"We didn't get welfare reform in the 1990s without Clinton, and we didn't get tax reform in the 1980s without Reagan; presidential leadership is crucial on these major reforms," said Chris Edwards, director of tax policy at the Cato Institute, a free market think tank.

The federal debt stands at \$13.7 trillion, while in the last fiscal year alone, the government ran up a budget deficit of around \$1.3 trillion, equivalent to 8.9% of U.S. gross domestic product.

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Economists are unanimous that the government's fiscal path is unsustainable over the long term.

Edwards said the commission's preliminary proposals could provide Obama with the opportunity to pivot to the center politically, as most analysts expect him to do in the wake of the election.

Liberal groups and politicians--notably including House Speaker Nancy Pelosi (D., Calif.)--were almost instantly critical of the co-chairmen's proposal that the retirement age be raised and benefits cut under Social Security and that growth in Medicare spending be limited.

Were Obama to embrace those or others of the tough proposals laid out in the commission's draft, it could help him politically, analysts said.

Other than reacting to the final report from the deficit commission in early December, the president's budget request to Congress in the first week of February will be the first opportunity Obama has to take up measures from the report, said Robert Bixby, executive director of the Concord Coalition, a non- partisan group that advocates for fiscal discipline.

But if the president fails to incorporate at least some of the commission's recommendations in his budget, he will have missed an opportunity to show the country his fiscal bona fides, said Come Back America Initiative's Walker.

"The jury is out, if the president doesn't lead on this, we're not going to see any real progress," he said.

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