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Obama Tries to Win Battle for a Debt Deal — and Public Opinion

By Carol E. Lee and Laura Meckler

President Barack Obama held a news conference — his third news conference in just over two weeks — in an attempt to win not only a debt agreement but also the battle for public opinion.

He said that increasing the U.S. government’s borrowing limit to avoid default may not be enough to protect nation’s economy if the move isn’t accompanied by a significant plan to reduce the federal deficit.

“If we take that approach this issue is going to continue to plague us for months and years to come,” Mr. Obama said during a White House news conference. “What is important is that, even as we raise the debt ceiling, we also solve the problem of underlying debt and deficits.”

He also worked to explain to Americans the consequences of failing to raise the debt ceiling by Aug. 2. If the U.S. government defaults on its debt, Mr. Obama warned, interest rates would rise for average Americans trying to get loans.

“We could end up with a situation, for example, where interest rates rise for everybody all throughout the country — effectively, a tax increase on everybody — because suddenly, whether you’re using your credit card, you’re trying to get a loan for a car or a student loan, businesses that are trying to make payroll — all of them could end up being impacted as a consequence of a default,” Mr. Obama said.

The president also rejected a Balanced Budget Amendment that some Republicans are pushing, saying all that does is put tough decisions off for another day.

Seeking to break the partisan logjam, Mr. Obama said that time is running out for Democrats and Republicans to reach a deal. He has asked congressional leaders to present him with their plans by Saturday.

Even as he chastised Republicans for playing politics with the nation’s economic future, he played some of his own. He said Republicans who insist on a deal that includes no new tax revenue are out of step with the American people, most of whom want a “balanced” deal that includes spending cuts and tax increases.

Americans are “going to remember at the polls” who was seen as willing to compromise and wasn’t “locked into ideologically rigid positions” during this debate, he said.

“The American people aren’t paying attention to the details of every aspect of this negotiation, but I think what the American people are paying attention to is, who seems to be trying to get something done, and who seems to be just posturing and trying to score political points?” he said.

The president said he is still pushing for the largest deal possible, and said he is willing to look at means testing for Medicare, which would require wealthy seniors to pay more, and changes to Social Security. But the political realities in Washington will likely force a smaller deal, which he described as the “least attractive option.”
Still, he suggested it wouldn't take much for lawmakers to broker a significant compromise. "We don't have to do anything radical to solve this problem," he said. "Contrary to what some folks say, we're not Greece. We're not Portugal."

"If they show me a serious plan, I'm ready to move," Mr. Obama said. "We should not even be this close to the deadline."

One plan Mr. Obama said he would not support is a $2.4 trillion deficit reduction plan over 10 years that does not include tax increases, which is what the House Republicans proposed Friday morning and will vote on next week.

"That doesn't seem like a serious plan to me," he said. "My expectation is that you'll probably see the House vote on a couple of things just to make political statements."

He suggested he could accept a plan presented by Senate Minority Leader Mitch McConnell (R., Ky.) that would give the president authority to raise the debt ceiling in three installments through the 2012 election, unless two-thirds of Congress voted to block it. He said it "at least averts Armageddon" but does not solve the deficit problem.

Two ratings agencies this week said they are eyeing the U.S. government's debt for a possible downgrade, a move that would likely send markets tumbling. And the U.S. is just a few weeks away from Aug. 2, when the Treasury Department says the government will run out of cash to meet all of its obligations if the country's borrowing limit isn't increased.

Moody's Investors Services' said this week it's reviewing the U.S. government debt for a possible downgrade. Standard & Poor's said this week there was a 50% chance it would downgrade U.S. debt within three months because the political debate has become more entangled. The U.S. has had a AAA bond-rating from S&P for 70 years.

Mr. Obama said the U.S. needs a plan that would preserve its credit rating.

"A family, if they get overextended and their credit card is too high, they don't just stop paying their bills. What they do is they say, 'How do we start cutting our monthly costs?'" Mr. Obama said. "We keep on making payments, but we start cutting out the things that aren't necessary, and we do it in a way that maintains our credit rating."

An effort by Mr. McConnell and Senate Majority Leader Harry Reid (D., Nev.) that would expand on the McConnell plan to include roughly $1 trillion in spending cuts over 10 years and perhaps an extension of unemployment insurance is emerging as a likely final deal. It's an open question whether it is the kind of "down payment" on the deficit Mr. Obama wants or that credit rating agencies will take as a sign the U.S. is getting its debt under control.

Mr. Obama also pushed for an extension of the payroll tax break for employees, but Republicans rejected the idea of including it in a final package during Thursday's meeting at the White House.

In the battle of public opinion, Mr. Obama made clear he thinks he's winning and that even if he doesn't get what he wants he'll have a good story to take on the 2012 campaign trail.

"The American people are sold," Mr. Obama said. "There will be huge differences between now and November 2012 between the parties. And whoever the Republican nominee is we're going to have a big, serious debate about what we believe is the right way to guide America forward... I'm confident that I will win that debate."

—Jared A. Favole contributed to this post.