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House to Act on Doomed U.S. Deficit Plan

By Julie Hirschfeld – Jul 19, 2011

Two weeks from a threatened default, U.S. [House Republicans](#) today plan to defy President [Barack Obama](#)'s promised veto by voting to slash spending and condition a \$2.4 trillion debt-ceiling increase on passage of a constitutional amendment to balance the budget.

The measure, demanded by fiscally conservative organizations and Tea Party groups, brings lawmakers no closer to meeting an Aug. 2 deadline for increasing the \$14.3 trillion debt limit. The bill stands little chance of being endorsed by the Democratic-controlled Senate and no chance of being signed into law.

The White House, in a statement conveying Obama's threat to veto the "Cut, Cap and Balance" proposal, called it an "empty political statement" setting out "unrealistic policy goals." Conservative groups cheered it, pressuring Republicans to back it or risk denting their fiscal credentials with voters.

Separately, a bipartisan group of five senators scheduled a briefing at the Capitol for lawmakers on the contours of a "grand bargain" -- of the sort Obama is pressing yet seems increasingly out of reach -- to shave about \$3.7 trillion from the debt over 10 years through tax increases and entitlement cuts.

"We're focused on the long term, not the current debate," said Senator [Saxby Chambliss](#) of [Georgia](#), the group's Republican co-leader with Democratic Senator [Mark Warner](#) of Virginia. He said there is no agreement within the group on the proposals -- modeled on the recommendations of the leaders of Obama's bipartisan debt commission -- and no plan to release it publicly or bring it up for votes as part of the debt ceiling debate.

Behind the Scenes

Senate Republican and Democratic leaders were working behind the scenes on a more immediate fix that would hand Obama \$2.4 trillion in new borrowing authority in installments. They were discussing empowering a bipartisan group of lawmakers to

propose spending cuts to accompany the increases while setting out tough consequences if reductions weren't achieved.

The plan is based on a proposal by Republican leader [Mitch McConnell](#) of [Kentucky](#), who is negotiating details with Democratic Majority Leader [Harry Reid](#) of [Nevada](#). It could ultimately be paired with spending cuts to draw Republican support, according to officials in both parties who have described the still-emerging proposal on condition of anonymity.

Reid said he is taking the unusual step of keeping the Senate in session -- including weekends -- until the debt ceiling impasse is resolved.

Polarizing Debate

Even as they prepared for today's polarizing debate and partisan vote, House Speaker [John Boehner](#) of [Ohio](#) and Majority Leader [Eric Cantor](#) of Virginia were in talks with Obama's team in search of a compromise. They met with the president in the Oval Office two days ago, though there was no word that daily White House gatherings Obama initiated July 10 with Republican and Democratic congressional leaders would resume.

In private talks, McConnell and Boehner have focused on plans that could give Republicans some measure of cover on what has become a politically toxic vote to raise the debt ceiling and avoid a default. Tea Party-supported lawmakers, including scores of House freshmen, are determined to stage a showdown over their vows to slash spending, with some downplaying the consequences of missing the Aug. 2 deadline.

In public, the focus is on the Republican measure to cut this year's federal spending another \$75 billion beyond reductions enacted earlier this year and cap future spending at 19.9 percent of the gross domestic product within eight years. The bill also conditions a debt ceiling increase on adoption by two-thirds of the House and Senate of a constitutional amendment requiring a balanced budget and making it more difficult to raise taxes.

Action by States

Any constitutional amendment requires approval by three-fourths of the states, though that would have no bearing on raising the debt limit.

The Senate may begin as early as tomorrow to consider the Cut, Cap and Balance plan, with a vote likely within days.

Obama's "unfortunate veto threat should make clear that the issue is not congressional inaction, but rather the president's unwillingness to cut spending and restrain the future growth of our government," Boehner said in a statement. "If we are going to raise the debt limit and avoid default, the White House must be willing to demonstrate more courage than we have seen to date."

The administration escalated its criticism of the measure in a conference call with reporters, saying it would cut spending in critical areas, including benefits for seniors, and do little to rein in the deficit. [Jason Furman](#), deputy director of the National Economic Council, called the legislation "extreme, radical," and "unprecedented."

'Playing Chicken'

Reid said some Republicans are "playing chicken," with the debt-limit debate and flirting with a calamity that would hamstring an economy struggling to recover from the worst recession since the Great Depression.

"It will make what we just went through look like a quaint little crisis," Reid said, paraphrasing a warning from Treasury Secretary [Timothy Geithner](#).

McConnell, who said last week that a default would harm his party's "brand" and let Democrats blame Republicans for the weak economy, said the Cut, Cap and Balance measure would give Republicans a chance to make their case to voters.

"We've decided to bring our case to the American people," McConnell said. He called the measure "the kind of strong medicine [Washington](#) needs and the American people want."

Bachmann Signs On

Representative [Michele Bachmann](#) of [Minnesota](#) yesterday became the latest Republican presidential candidate to sign the Cut, Cap and Balance pledge pushed by fiscally conservative groups.

Chris Chocola of the Club for Growth said the organization would reward lawmakers who voted for the legislation and punish those who supported what he called the McConnell-Reid “Cut, Run and Hide” plan by including both in its candidate scorecards. Similar groups also promised to score the vote on what can be influential ratings circulated to voters at election time.

For all the blame-laying on [Capitol Hill](#) in the absence of an immediate deal, the administration expressed confidence an agreement will be reached to ensure the U.S. can pay its bills.

“Americans should not be concerned” about the prospects of a default, White House press secretary [Jay Carney](#) said. “Progress has been made” in discussions between the administration and congressional leaders from both parties.

Carney said Obama is still pressing for the “biggest possible deal” to cut the deficit and raise the debt limit. Still, he said, the administration wants to have a fallback plan to make sure the ceiling is raised even if a long-term deficit reduction package can’t be fashioned.

Crystallizing Options

Congressional leaders this week must “crystallize what the options are and what we are going to pursue,” Carney said.

Even as lawmakers grappled for political advantage on the debt ceiling in increasingly urgent terms, neither the public nor investors showed signs of panic. Yields on benchmark 10-year notes reached the lowest level since December as investors sought a refuge in [U.S. government debt](#). The Treasury attracted higher than average demand at last week’s three note and bond auctions.

A poll by the Pew Research Center for the People and the Press conducted July 14-17 showed Americans split about whether the debt limit must be raised by Aug. 2 to avoid an economic crisis, with 40 percent saying so while 39 percent said the country could miss the deadline without triggering major problems.

Republicans were more likely to disregard the deadline, with 53 percent of them -- and 65 percent of Republicans who said they agree with the Tea Party -- saying no

economic crisis would result if the debt ceiling weren't raised by then. Among Democrats, 56 percent held the opposite view.

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