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Obama Urges Cuts and Taxes on the Rich

By MICHAEL D. SHEAR

WASHINGTON — **President Obama** called for cutting the nation's combined budget deficit by \$4 trillion over the next 12 years on Wednesday, countering Republican budget plans with what he said was a more balanced approach that relies in part on tax increases for the wealthy as well as on spending cuts.

Mr. Obama spoke in strikingly partisan tones in parts of the 43-minute speech, offering a blistering critique of the Republican approach to reducing the deficit and laying down political markers that are sure to please even his most skeptical Democratic allies. The president vowed not to extend tax cuts for the wealthy or to dismantle the government-run health care systems for the elderly and poor. And he said there was "nothing serious or courageous" about the proposals Republicans offered this month.

Still, as he laid out the administration's opening bid in negotiations over the nation's fiscal future, Mr. Obama conceded a need to cut spending, rein in the growth of entitlement programs and close tax loopholes. At the same time, he insisted that the government must maintain what he called investment in programs that are necessary to compete globally. And he made clear that, despite his compromise with Congressional leaders in December, he would fight Republicans to end lowered tax rates for wealthy Americans that have been in place since President **George W. Bush** championed them in the last decade.

“There’s nothing serious about a plan that claims to reduce the deficit by spending a trillion dollars on tax cuts for millionaires and billionaires,” Mr. Obama said of budget proposals put forward by Republicans in the House. “There’s nothing courageous about asking for sacrifice from those who can least afford it and don’t have any clout on Capitol Hill. And this is not a vision of the America I know.”

In his remarks, delivered at [George Washington University](#), Mr. Obama offered an impassioned defense of the popular [Medicare](#) and [Medicaid](#) programs against Republican proposals for sweeping changes in them. “We are a better country because of these commitments,” he said. “I’ll go further — we would not be a great country without those commitments.”

To the likely disappointment of some of his most liberal supporters, though, Mr. Obama signaled that he agreed with Republicans about the need to cut spending.

He acknowledged that some people would oppose cutting spending now, “mostly folks in my party,” the president said. “I’m sympathetic to this view, which is one of the reasons I supported the payroll tax cuts we passed in December. It’s also why we have to use a scalpel and not a machete to reduce the deficit.”

“But doing nothing on the deficit is just not an option,” he said.

Among his proposals is a “debt fail-safe” mechanism that would force lawmakers into much more severe action if the deficit has not contracted significantly by 2014.

The provision would impose across-the-board cuts on most government programs, officials said, adding that it was intended to provide an incentive to motivate potentially reluctant lawmakers to take difficult but necessary steps.

Aides to Mr. Obama said that there would be \$3 in spending cuts and interest savings in the president’s proposals for every \$1 that comes from increased tax revenue.

House Republicans have already signaled they are prepared for a fight over the competing visions of

spending, taxes and debt. Representative **John A. Boehner**, the speaker of the House, said on Tuesday, “We don’t have deficits because Americans are taxed too little — we have deficits because Washington spends too much.”

Senator **Mitch McConnell** of Kentucky, the minority leader, said in a speech on the floor Tuesday that “too often, it seems, Democrats in Washington claim to be interested in helping those in need, when what they really seek is to protect big government.”

Mr. Obama spent much of his speech decrying the proposals from House Republicans, which he called a vision that would change the “basic social compact” promised to Americans for decades.

The president described the Republican plan for reducing the nation’s debt as one that would let roads crumble, accept mediocrity in education, stop caring for senior citizens and lead to as many as 50 million fewer people being covered by health insurance. He derided the Republican approach as one that would not invest in “education or clean energy” while giving away tax breaks to wealthy people.

“To meet our fiscal challenge, we will need to make reforms,” Mr. Obama said. “We will all need to make sacrifices. But we do not have to sacrifice the America we believe in. And as long as I’m president, we won’t.”

Offering a narrative explanation of how the nation’s debt grew so large, Mr. Obama said Washington policy makers had “lost our way” over the last decade, enacting policies without ensuring that the government had ways to pay for them.

That would fit a pattern for the president, who has typically used big speeches as an opportunity to put on his professor’s hat, walking the public through the economic realities that the government faces.

But the speech also serves as a set of policy proposals that will be used on Capitol Hill as the opening bid for legislative discussions. Mr. Obama said in the speech that he asked Congressional leaders in both parties to name four lawmakers to begin bipartisan negotiations on the budget.

To Republicans like Mr. Boehner, who on Tuesday called any tax increases “a nonstarter,” Mr. Obama acknowledged that such views were “an article of faith,” but he said that stance was not acceptable to him. “In December, I agreed to extend the tax cuts for the wealthiest Americans because it was the only way I could prevent a tax hike on middle-class Americans,” Mr. Obama said. “But we cannot afford \$1 trillion worth of tax cuts for every millionaire and billionaire in our society. And I refuse to renew them again.”

He said people like him “don’t need a tax cut,” and added, “Not if we have to pay for it by making seniors pay more for Medicare, or by cutting kids from Head Start, or by taking away college scholarships that I wouldn’t be here without.”

He continued: “I believe that most wealthy Americans would agree with me. They want to give back to the country that’s done so much for them. Washington just hasn’t asked them to.”

Along with allowing the lowered tax rates to expire, Mr. Obama suggested limiting itemized deductions for the top 2 percent of taxpayers.

Anticipating criticism of his plan from his Democratic supporters, Mr. Obama pleaded for understanding as he pursues cuts to government spending and seeks changes to programs like Medicare.

“If we truly believe in a progressive vision of our society, we have the obligation to prove that we can afford our commitments,” he said.

Rather than change Medicare to a voucher program, Mr. Obama proposes broad reforms that he says would save hundreds of billions of dollars over the next 12 years and more than \$1 trillion in the following decade.

In the speech, the president embraced some of the proposals of his own [debt commission](#), including \$770 billion worth of cuts in nonsecurity related spending by 2023. Cuts to defense programs would be

increased to nearly \$400 billion over the next 12 years, officials said.

The president stayed away from proposing changes to **Social Security**, saying that it was not a significant piece of the country's deficit problem. Instead, Mr. Obama said he supported longer-term action to confront changes to the program that could be supported by members of both parties.



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