



This copy is for your personal, noncommercial use only. You can order presentation-ready copies for distribution to your

colleagues, clients or customers [here](#) or use the "Reprints" tool that appears next to any article. Visit [www.nytreprints.com](http://www.nytreprints.com) for

samples and additional information. [Order a reprint of this article now.](#)

July 25, 2011

# Showdown Nears on Debt as Obama Warns of 'Crisis'

By [CARL HULSE](#) and [JACKIE CALMES](#)

WASHINGTON — The Democratic-led Senate and Republican-led House on Monday barreled toward a showdown on competing plans to cut spending and raise the [debt limit](#) as a resolution to the intensifying crisis remained farther from sight just one week before a possible federal default.

With [President Obama](#) trying to employ the power of the presidency to force an agreement, House and Senate leaders said votes could occur as early as Wednesday on competing proposals to slash spending in exchange for increasing federal borrowing authority that the Treasury Department says will be exhausted Aug. 2, raising the prospect that federal bills will go unpaid.

It was a day of legislative chess moves, back-to-back party caucuses and closed-door meetings that ended with a nationally televised presidential address and a rebuttal by the House speaker, [John A. Boehner](#). Their separate speeches reflected that the two sides are farther apart than ever — just a week ago, the two men were in private negotiations on a “grand bargain” of spending cuts and additional revenue, what Mr. Obama called “a balanced approach.”

“The only reason this balanced approach isn’t on its way to becoming law right now is because a significant number of Republicans in Congress are insisting on a different approach, a cuts-only

approach — an approach that doesn't ask the wealthiest Americans or biggest corporations to contribute anything at all," Mr. Obama said in his address. "And because nothing is asked of those at the top of the income scales, such an approach would close the deficit only with more severe cuts to programs we all care about — cuts that place a greater burden on working families."

Even as he sought to set Republicans up for blame for any crisis, Mr. Obama offered assurance that a crisis would be averted. He called on Americans to contact their lawmakers in support of a compromise. "We would risk sparking a deep economic crisis — this one caused almost entirely by Washington," he said. "Defaulting on our obligations is a reckless and irresponsible outcome to this debate."

In response to Mr. Obama, Mr. Boehner said: "The sad truth is that the president wanted a blank check six months ago, and he wants a blank check today. That is just not going to happen."

Mr. Boehner urged the president to sign a Republican plan to raise the debt limit. "If the president signs it," he said, "the 'crisis' atmosphere he has created will simply disappear. The debt limit will be raised."

Earlier in the day, in dueling news conferences on Capitol Hill, neither side showed any willingness to budge even though time was running very short, creating a distinct air of uncertainty around the Capitol about how the debt limit conflict would end.

"We're about to go over the cliff," Senator [Harry Reid](#), the Nevada Democrat who serves as majority leader, said Monday afternoon as he outlined his plan.

The back and forth began when House Republicans rolled out a two-stage deficit reduction plan that would allow the \$14.3 trillion federal debt limit to rise immediately by about \$1 trillion in exchange for \$1.2 trillion in spending cuts, and tie a second increase early next year to the ability of a new bipartisan Congressional committee to produce more deficit reduction measures.

Mr. Reid dismissed the House Republican plan as a "nonstarter" and said Republicans were essentially

trying to embarrass Mr. Obama in the middle of the 2012 election year by forcing another debt limit showdown. He said Democrats would not go along with any plan that did not guarantee a debt limit increase through next year.

Democrats countered with a \$2.7 trillion menu of spending cuts and an increase in the debt limit through 2012. Neither plan would require any new revenue.

The approach assembled by Mr. Reid quickly received the president's endorsement. Over the next 10 years, it would cut \$1.2 trillion from federal agency budgets and wring savings from recurring programs like agriculture subsidies. Like some earlier Republican plans, the plan also counts about \$1 trillion in savings from winding down combat operations in Iraq and Afghanistan, a point objected to by House Republicans who consider such savings as budget trickery since they would occur regardless.

"The plan is full of gimmicks," Mr. Boehner told reporters about the Reid proposal, saying it makes no "real changes in the spending structure of our government, and it doesn't deal with the biggest drivers of our deficit and our debt, and that would be entitlement programs."

Rushing to beat the Senate to the punch, House Republican leaders were hoping to win approval of their measure on Wednesday and then send it to the Senate. The plan would cut current spending and put legal limits on future spending, saving what Republicans estimate to be about \$1.2 trillion over 10 years. That approach would allow a debt limit increase that would extend into early next year.

At the same time, a new 12-member committee evenly divided between Democrats and Republicans would be assigned the job of finding an additional \$1.8 trillion in savings. The panel would have special privileges to bring legislation before the House and Senate, and its proposal would not be subjected to amendment or Senate **filibuster**. If the plan passed, the president could seek a further \$1.6 trillion increase in the debt limit based on the new committee's proposal.

In addition, members of the Senate and House would also be required to vote on a balanced-budget amendment to the Constitution after Oct. 1 but before the end of the year — a key demand from many

House conservatives.

With House Democrats likely to line up solidly against Mr. Boehner's plan, the Republican leadership was pleading for support among the conservative rank and file, portraying it as the best alternative to end the impasse, even though it might fall short of the deep cuts many of the Republican newcomers want.

Some of the most conservative Republican House members, including Representative Allen West of Florida, endorsed it after the leadership made its case in an afternoon meeting. But others were balking, putting the plan's success at risk should the Republican leadership be forced to rely solely on Republican votes. By day's end, several Republicans — including Representative Jim Jordan of Ohio, the head of the conservative Republican Study Committee — said Mr. Boehner did not have their vote.

"I can't support it in its current form," said Representative Trey Gowdy of South Carolina, citing insufficient cuts and "the dearth of confidence I have in a 12-member commission being able to do what Congress hasn't been able to do."

At least two Senate conservatives also came out against the House plan, showing that it would face some resistance there from both parties.

Mr. Reid and his fellow Democratic leaders have their own vote problems since they will almost certainly need 60 votes to break a filibuster and advance their proposal. That would require Mr. Reid to hold all the members of his party and win over at least seven Republicans.

In a tactical move, Mr. Reid on Monday night declined to begin the procedural steps needed to force a Senate vote Wednesday, preferring instead to see how Mr. Boehner fared in the House.

*Jennifer Steinhauer and Michael D. Shear contributed reporting.*



More in Politics (1 of 27 articles)

OPEN

## Obama and Leaders Reach Debt Deal

[Read More »](#)