

## **Obama to congress: 'Decision time' on US debt**

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**By Olivier Knox and Tangi Quemener**

US President Barack Obama bluntly told top lawmakers "it's decision time" in contentious talks to avert a ruinous early August debt default, according to a well-placed Democratic official.

Adding to the urgency, Standard & Poor's joined Moody's as the second ratings agency to warn Washington may lose its sterling Triple-A debt rating, as largest US creditor China and Wall Street titan JPMorgan Chase also sounded the alarm.

"I want to do the largest deal possible," the official quoted Obama as telling Democratic Senate leaders and their Republican counterparts in the House of Representatives in a fifth straight day of White House crisis meetings, on Thursday.

Obama ruled out a short-term fix to let the negotiations run beyond August 2, when cash-strapped Washington will lack money to pay for key services, and declared: "It's decision time. We need concrete plans to move this forward."

The Democratic official and Republican congressional aides said Obama had given the leaders 24-36 hours to get a sense from their rank-and-file what could win congressional approval, and left open the possibility of weekend talks.

Economists and finance and business leaders have warned that failure to raise the US debt ceiling above the current \$14.3 trillion by August 2 could send shockwaves through a world economy still reeling from the 2008 collapse.

Republicans, whose votes Obama needs to raise the congressionally set limit, have demanded sweeping spending cuts in return while rejecting calls from the White House and Democrats tie them to tax hikes on the rich and corporations.

"We're probably not going to meet tomorrow, this group. But we're going to continue to discuss the way forward over the next couple of days and we'll see what happens," Republican Senate Minority Leader Mitch McConnell told reporters.

Obama said he hoped for "a big deal" previously described as running about \$4 trillion dollars in spending cuts, but said a smaller \$2 trillion was possible "if all sides were willing to give a little," the Democratic aide said.

A third option was "to do significantly less on the deficit while still ensuring a long-term increase in the debt limit" to beyond the November 2012 elections in which Obama seeks a second term, the aide said.

US Treasury Secretary Tim Geithner told the group that skittish world markets believed "the debt ceiling must be raised, and we must put in place a plan to deal with our deficit and debt," according to a senior Republican aide.

Republican House Speaker John Boehner seized on that message to warn that "nothing the administration is offering to this point will resolve our debt problem" and pressed Obama to cut spending "in a meaningful way," the aide said.

Democratic House Minority Leader Nancy Pelosi said House Democrats favored a "grand bargain" to cut some \$4 trillion while averting a default while protecting cherished social safety net programs.

Obama was to hold a press conference at 11 am (1500 GMT) Friday in the latest push of a public relations charge on the issue, even as the US Treasury has begun contingency planning, according to US officials.

The White House and key lawmakers seemed to be rallying behind efforts by McConnell and Democratic Senate Majority Leader Harry Reid to craft an complex legislative escape hatch to avert a default, push spending cuts, but forego tax hikes.

McConnell's proposal would effectively let Obama raise the debt ceiling with support just from Democrats, who would shoulder the political responsibility but get to protect cherished social safety net programs.

"This remains a fallback option," a Democratic aide said.

Republicans would be able to vote against raising the debt ceiling, as many "Tea Party" conservatives have vowed to do no matter what, and would be in a strong position to enforce their fierce opposition to tax hikes on the rich.

"I have no idea," if it can pass the House, but it "might look pretty good a couple of weeks from now," Boehner told reporters.

Republicans embraced calls for fiscal discipline when Obama took office in January 2009, after years of playing down swelling US deficits, approving massive tax cuts, and rejecting calls to pay for the Iraq and Afghanistan wars.

But a new opinion poll by Quinnipiac University found the US public more ready to blame Republicans than Obama by a 48 percent to 34 percent in the event the talks collapse.

The US hit its debt ceiling on May 16 and has used spending and accounting adjustments, as well as higher-than-expected tax receipts, to continue operating without impact on government obligations, but can only do so to August 2.

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