

Fiscal Cliff

Politics Still Threatens Economy

BY PAUL WISEMAN AND CHRISTOPHER S. RUGABER
AP Economics Writers

WASHINGTON — Even if U.S. lawmakers prevent the worst of the so-called fiscal cliff, the brinksmanship in Washington over taxes and spending is likely to continue damaging the fragile economy well into 2013.

A months-long political standoff over fiscal policy has already taken its toll, adding uncertainty that has discouraged consumers from spending and businesses from hiring and investing.

The squabbling seems sure to persist even if the House of Representatives goes along with a partial fix passed by the Senate in the early hours of Jan. 1. Under that plan, taxes will rise on individual incomes over \$400,000 and household incomes over \$450,000 and on the portion of estates that exceeds \$5 million. The House is expected to vote Tuesday or Wednesday.

But lawmakers appear to have postponed tough decisions on government spending, giving themselves a reprieve from cuts that were scheduled to begin taking effect automatically Jan. 1. That just sets the stage

for more hard-bargaining later.

And another standoff is likely to arrive as early as February when Congress will need to raise the \$16.4 trillion federal borrowing limit so the government can keep paying its bills. House Republicans probably won't agree to raise the debt limit without offsetting spending cuts that Democrats are sure to resist.

"Even if they cut some small deal, the process and what is left undone still means there's a lot of uncertainty," says Stuart Hoffman, chief economist at PNC Financial Services Group.

After Jan. 1, asks Ethan Harris, co-head of global economics at Bank of America Merrill Lynch, "what induces the two sides to stop fighting and start compromising? ... We're kind of in the first act of a three-act play," Harris says. "One of the key messages from the cliff is that this stuff just doesn't get resolved quickly."

The fiscal cliff itself was created to force Democrats and Republicans to compromise.

To end a 2011 standoff over raising the federal debt limit, they agreed to a Jan. 1, 2013 deadline to reach a deal over taxes and spending. If they didn't, more than \$500 billion in 2013 tax increases would begin to take effect, along with \$109 billion in cuts

from the military and domestic spending programs. The sharp tax hikes and spending cut would threaten to send the economy over the cliff and back into recession.

But negotiations to avert catastrophe have highlighted once again how far apart the two parties are on taxes (Republicans don't want to raise them) and spending (Democrats are reluctant to cut government programs).

"We're learning about how deep the impasse is," Harris says. "Both sides have decided that they were willing to go to the last minute."

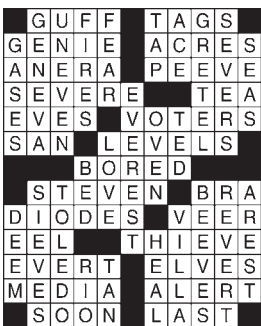
Political gridlock has been rattling financial markets and shaking consumer and business confidence the past two years.

After a fight over raising the debt limit last year, the credit rating agency Standard & Poor's yanked the U.S. government's blue-chip AAA bond rating because it feared that America's dysfunctional political system couldn't deliver a credible plan to reduce the federal government's debt. S&P cited an overabundance of "political brinksmanship" and warned that "the differences between political parties have proven to be extraordinarily difficult to bridge."

Tuesday, January 1, 2013

CROSSWORD
By THOMAS JOSEPH

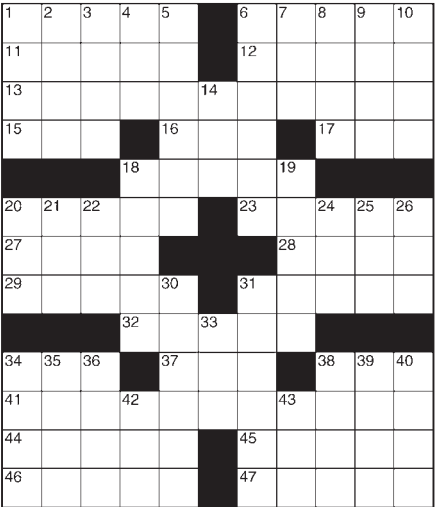
- ACROSS**
- 1 Storybook elephant
 - 6 Hang loosely
 - 11 Furious
 - 12 Competitor
 - 13 Annual Memphis event
 - 15 Put down
 - 16 Corn unit
 - 17 Top-secret govt. org.
 - 18 Cuisine with cayenne
 - 20 Oscar or Tony
 - 23 Satyr's quarry
 - 27 Part
 - 28 Luke's sister
 - 29 Papparazzi target
 - 31 Annie of "Ghostbusters"
 - 32 Visit briefly
 - 34 Methane, for one
 - 37 Quirk
 - 38 Pollen collector
 - 41 Annual Tampa event
 - 44 Use the gym
 - 45 Seeps
 - 46 Convenient
 - 47 Gallows loop
- DOWN**
- 1 Potential law
 - 2 Diva's song
 - 3 Cradle occupant
 - 4 Had dinner
 - 5 Enjoy a book twice
 - 6 Rehearsal
 - 7 Umbrella part
 - 8 Stratford's river
 - 9 Hound's hands
 - 10 First name in scat
 - 14 — Mahal
 - 18 Unpleasant fellow
 - 19 Backpack material



Yesterday's answer

- 20 Pendulum path
- 21 Misery
- 22 Totality
- 24 Got together
- 25 Peach center
- 26 Owns
- 30 Floral study
- 31 Bully
- 33 Snapshot, for short
- 34 Rome raider
- 35 Mystique
- 36 Jazz's Getz
- 38 Buffoon
- 39 Some sheep
- 40 Different
- 42 Auction action
- 43 Scary cry

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A XYDLBAAXR
is LONGFELLOW

One letter stands for another. In this sample, A is used for the three L's, X for the two O's, etc. Single letters, apostrophes, the length and formation of the words are all hints. Each day the code letters are different.

1-1 CRYPTOQUOTE

ODJKMRJ N XNGDVU, GNY,
NVMYF DY JKF OMLVQ,
JLFGIVFA ODJK JKF BMVQ.

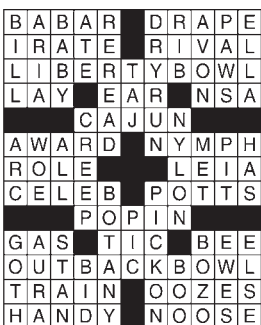
— NYQLF GNRLMDA
Yesterday's Cryptoquote: THEN SING, YOUNG HEARTS ... WITH NEVER A THOUGHT OF SORROW; THE OLD GOES OUT, BUT THE GLAD YOUNG YEAR COMES MERRILY IN TOMORROW.
— EMILY MILLER

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Wednesday, January 2, 2013

CROSSWORD
By THOMAS JOSEPH

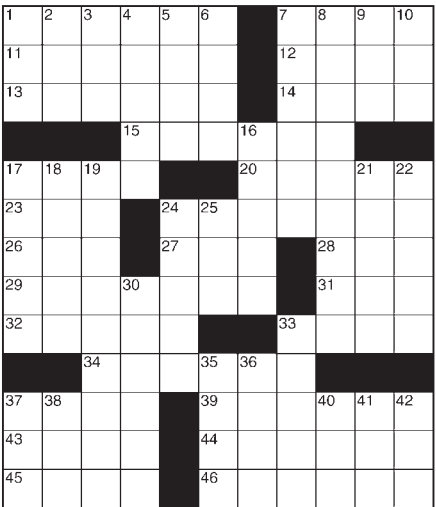
- ACROSS**
- 1 Halted
 - 7 Avails oneself of
 - 11 Refer
 - 12 Deadly missile
 - 13 Turns red, perhaps
 - 14 — "Around"
 - 15 Sioux people
 - 17 Act the model
 - 20 Toad features
 - 23 Running bird
 - 24 Camera accessory
 - 26 Cloth scrap
 - 27 Impress greatly
 - 28 Luau instrument
 - 29 Rough, as lips
 - 31 Garden visitor
 - 32 Fast runners
 - 33 Look after
 - 34 Fold
 - 37 In a frenzy
 - 39 Proof of purchase, at times
 - 43 Script unit
 - 44 Galahad's mother
 - 45 Fired
 - 46 Prepared for a blow
- DOWN**
- 1 Highway sight



Yesterday's answer

- 19 Scoop
- 21 Occupied
- 22 Velocity
- 24 Small error
- 25 Ram's mate
- 30 Made coffee
- 33 Dallas native
- 35 Help in crime
- 36 Foot part
- 37 Copying tape
- 38 Dance
- 40 Frank McCourt book
- 41 Count start
- 42 — KING (street sign)

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A XYDLBAAXR
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1-2 CRYPTOQUOTE

W PZZIHPKD SJSILUDWXM WX
FL OWYS UDS TPFSGPL; WY
WU YSSOT IWMDU, W RXHG

WU. — RSXXLM
Yesterday's Cryptoquote: WITHOUT A FAMILY, MAN, ALONE IN THE WORLD, TREMBLES WITH THE COLD. — ANDRE MAUROIS

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Pakistan: Gunmen Kill 5 female Teachers And 2 Aid Workers

ISLAMABAD (AP) — Gunmen on motorcycles sprayed a van carrying employees from a community center with bullets Tuesday, killing five female teachers and two aid workers, but sparing a child they took out of the vehicle before opening fire.

The director of the group that the seven worked for says he suspects it may have been the latest in a series of attacks targeting anti-polio efforts in Pakistan. Some militants oppose the vaccination campaigns, accusing health workers of acting as spies for the U.S. and alleging the vaccine is intended to make Muslim children sterile.

Last month, nine people working on an anti-polio vaccination campaign were shot and killed. Four of those shootings were in the northwest where Tuesday's attack took place.

The attack was another reminder of the risks to women educators and aid workers from Islamic militants who oppose their work. It was in the same conservative province where militants shot and seriously wounded 15-year-old Malala Yousufzai, an outspoken young activist for girls' education, in October.

There was no immediate claim of responsibility for the latest shootings.

Pennsylvania Gov. May File Federal Lawsuit Over Penn State Sanctions

HARRISBURG, Pa. (AP) — Gov. Tom Corbett said Tuesday he plans to sue the NCAA in federal court over sanctions imposed against Penn State in the wake of the Jerry Sandusky child sexual abuse scandal.

The Republican governor scheduled a news conference for Wednesday on Penn State's campus in State College to announce the filing in U.S. District Court in Harrisburg.

The sanctions, agreed to by the university in July, included a \$60 million fine that would be used nationally to finance child abuse prevention grants. State and federal lawmakers have raised objections to the money being spent outside Pennsylvania.

A message seeking comment on the expected lawsuit was left with the NCAA on Tuesday.

Last month, a Pennsylvania congressman said he was unhappy with how the NCAA responded to a request from the state's U.S. House delegation that the whole \$60 million in Penn State fines be distributed to causes within the state.

Stampede After Fireworks Show Kills 61, Injures 200 In Ivory Coast

ABIDJAN, Ivory Coast (AP) — A crowd stampeded after leaving a New Year's fireworks show early Tuesday in Ivory Coast's main city, killing 61 people — many of them children and teenagers — and injuring more than 200, rescue workers said.

Thousands had gathered at the Felix Houphouet Boigny Stadium in Abidjan's Plateau district to see the fireworks. It was only the second New Year's Eve fireworks display since peace returned to this West African nation after a bloody upheaval over presidential elections put the nation on the brink of civil war and turned this city into a battle zone.

With 2013 showing greater promise, people were in the mood to celebrate on New Year's Eve. Families brought children and they watched the rockets burst in the night-time sky. But only an hour into the new year, as the crowds poured onto the Boulevard de la Republique after the show, something caused a stampede, said Col. Issa Sako of the fire department rescue team. How so many deaths occurred on the broad boulevard and how the tragedy started is likely to be the subject of an investigation.

Many of the younger ones in the crowd went down, trampled underfoot. Most of those killed were between 8 and 15 years old.

"The flood of people leaving the stadium became a stampede which led to the deaths of more than 60 and injured more than 200," Sako told Ivory Coast state TV.

Clashes Shut Down Aleppo Airport In Syria, Hit Near Damascus

BEIRUT (AP) — Clashes between government troops and rebels on Tuesday forced the international airport in Aleppo to stop all flights in and out of Syria's largest city, while fierce battles also raged in the suburbs of the capital Damascus.

The rebels have been making inroad in the civil war recently, capturing a string of military bases and posing a stiff challenge to the regime in Syria's two major cities — Damascus and Aleppo.

The opposition trying to overthrow authoritarian President Bashar Assad has been fighting for control of Aleppo since the summer, and they have captured large swaths of territory in Aleppo province west and north of the city up to the Turkish border.

In the past few weeks, the rebels have stepped up their attacks on airports around Aleppo province, trying to chip away at the government's air power, which poses the biggest obstacle to their advances.

The air force has been bombing and strafing rebel positions and attacking towns under opposition control for months. But the rebels have no planes or effective anti-aircraft weapons to counter the attacks.

Sandy Hook Parents, Teachers And Students Brace For Return To School

NEWTOWN, Conn. (AP) — Since escaping a gunman's rampage at their elementary school, the 8-year-old Connors triplets have suffered nightmares, jumped at noises and clung to their parents a little more than usual.

Now parents like David Connors are bracing to send their children back to school, nearly three weeks after the shooting rampage at Sandy Hook Elementary School in Newtown. It won't be easy — for the parents or the children, who heard the gunshots that killed 20 of their classmates and six educators.

"I'm nervous about it," Connors said. "It's uncharted waters for us. I know it's going to be difficult."

Classes are starting Thursday at a repurposed school in the neighboring town of Monroe, where the students' desks have been taken along with backpacks and other belongings that were left behind in the chaos following the shooting on Dec. 14. Families have been coming in to see the new school, and an open house is scheduled for Wednesday.

An army of workers has been getting the school ready, painting, moving furniture and even raising the floors in the bathrooms of the former middle school so the smaller elementary school students can reach the toilets.

COMING UP ROSES



ALLEN J. SCHABEN/LOS ANGELES TIMES/MCT

A dancer with the "Wonderful Indonesia" float entertains the crowd during the 124th Rose Parade in Pasadena, Calif., on Tuesday. The 124th Rose Parade kicked off on a chilly New Year's morning with the theme "Oh the Places You'll Go!" named in honor of the Dr. Seuss book. There were an estimated 700,000 spectators.

Hillary Clinton Receiving Blood Thinner To Dissolve Clot

WASHINGTON (AP) — Secretary of State Hillary Rodham Clinton continues to recover in a New York hospital where she's being treated for a blood clot in her head.

Her doctors say blood thinners are being used to dissolve the clot and they are confident she will make a full recovery. Clinton didn't suffer a stroke or neurological damage from the clot that formed after she suffered a concussion during a fainting spell at her home in early December, doctors said in a statement Monday.

Clinton, 65, was admitted to New York-Presbyterian Hospital on Sunday when the clot turned up on a follow-up exam on the concussion, Clinton spokesman Phillipe Reines said. The clot is located in the vein in the space between the brain and the skull behind the right ear. She will be released once the medication dose for the blood thinners has been established, the doctors said.

In their statement, Dr. Lisa Bardack of the Mount Kisco Medical Group and Dr. Gigi El-Bayoumi of George Washington University said Clinton was making excellent progress and was in good spirits.

Clinton's complication "certainly isn't the most common thing to happen after a concussion" and is one of the few types of blood clots in the skull or head that are treated



Clinton

with blood thinners, said Dr. Larry Goldstein, a neurologist who is director of Duke University's stroke center. He is not involved in Clinton's care.

The area where Clinton's clot developed is "a drainage channel, the equivalent of a big vein inside the skull. It's how the blood gets back to the heart," Goldstein said.

Blood thinners usually are enough to treat the clot and it should have no long-term consequences if her doctors are saying she has suffered no neurological damage from it, Goldstein said.

Clinton returned to the U.S. from a trip to Europe, then fell ill with a stomach virus in early December that left her severely dehydrated and forced her to cancel a trip to North Africa and the Middle East. Until then, she had canceled only two scheduled overseas trips, one to Europe after breaking her elbow in June 2009 and one to Asia after the February 2010 earthquake in Haiti.

Her condition worsened when she fainted, fell and suffered a concussion while at home alone in mid-December as she recovered from the virus.

Cliff

From Page 1

step closer to comprehensive tax reform that will help strengthen our economy and create more and higher paychecks for American workers," said Rep. Dave Camp of Michigan, chairman of the tax-writing House Ways and Means Committee.

He urged a vote for passage to "get us one step closer to tax reform in 2013" as well as attempts to control spending.

House Democratic Leader Nancy Pelosi also said the legislation included "permanent tax relief for the middle class," and she summoned lawmakers to provide bipartisan support as the Senate did.

The bill would also prevent an expiration of extended unemployment benefits for an estimated two million jobless, block a 27 percent cut in fees for doctors who treat Medicare patients, stop a \$900 pay increase for lawmakers from taking effect in March and head off a threatened spike in milk prices.

It would stop \$24 billion in across-the-board spending cuts set to take effect over the next two months, although only about half of that total would be offset with savings elsewhere in the budget.

The economic as well as political stakes were considerable.

Economists have warned that without action by Congress, the tax increases and spending cuts that technically took effect with the turn of the new year at midnight could send the economy into recession.

Even with enactment of the legislation, taxes are on the rise for millions.

A 2 percentage point temporary cut in the Social Security payroll tax, originally enacted two years ago to stimulate the economy, expired with the end of 2012. Neither Obama nor Republicans made a significant effort to extend it.

House Republicans spent much of the day struggling to escape a political corner they