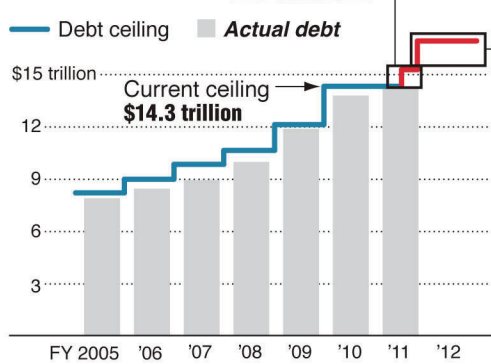


How competing plans would deal with the deficit

With an Aug. 2 deadline looming, two plans — in the House and in the Senate — have emerged as competing efforts to raise the government's debt limit and cut spending. Other plans that have been floated appear to be on the back burner as Congress works to reach an agreement.

John Boehner

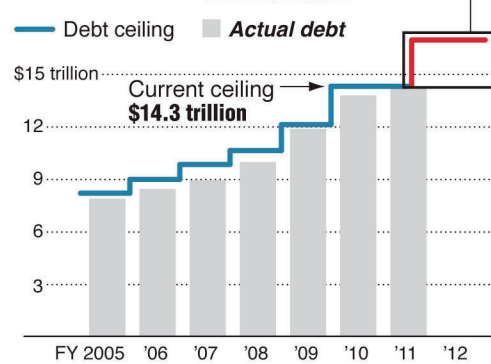
House speaker's plan



- A** Raises ceiling by \$1 trillion immediately, to cover about 6 months
- B** Raises it an additional \$1.6 trillion through the end of 2012, only after Congress votes on a new set of spending cuts

Harry Reid

Senate majority leader's plan



Raises ceiling by \$2.7 trillion immediately through the end of 2012; that figure is the amount President Barack Obama has identified as necessary to keep the government running through 2012

"Fallback" plan



Originally proposed by Senate Minority Leader Mitch McConnell, R-Ky., and Reid as "worst-case scenario" solution

- Gives president more power to raise debt ceiling
- Includes \$1.0 trillion-\$1.5 trillion in spending cuts
- Creates a commission to propose more reforms

"Gang of Six" plan

Democratic senators



- Cuts deficit by \$3.7 trillion over 10 years
- Overhauls tax system by eliminating some deductions and lowering rates overall
- Calls for cuts to Medicare but would have congressional committees determine specifics

Republican senators



- Calls for reducing deficit by about \$4 trillion over next 10-12 years
- Would include tax reform and changes in Medicare in exchange for raising debt ceiling to cover expenses beyond 2012 elections

"Grand Compromise"



Sought by the President

- Calls for reducing deficit by about \$4 trillion over next 10-12 years
- Would include tax reform and changes in Medicare in exchange for raising debt ceiling to cover expenses beyond 2012 elections

Norway's Premier Calls For Embrace Of Values

OSLO, Norway (AP) — Five days after an attacker incensed by Norway's culture of tolerance horrified the world, Prime Minister Jens Stoltenberg on Wednesday issued a quiet call of defiance to his countrymen: Make Norway even more open and accepting.

His promise in the face of twin attacks that killed 76 people signaled a contrast to the U.S. response after the 9/11 attacks, when Washington gave more leeway to perform wiretaps and to search records.

It reflects the difference between the two countries' approaches to terrorism: The U.S. has been frustrated by what it considers Scandinavia's lack of aggressive investigation and arrests.

Dow Falls Almost 200 Points In Fear Of Deadline

NEW YORK (AP) — Anxiety about a deadline to raise the nation's debt ceiling swept across Wall Street on Wednesday and drove the Dow Jones industrial average down almost 200 points. With Washington showing no sign it will find a solution, financial planners around the country said their clients were increasingly worried.

The Dow took a sharp drop during the last two hours of trading and closed down for the fourth session in a row. The declines have grown each day. The market turmoil was a sign that consequences of the debt fight were beginning to materialize in earnest.

With six days to go until the Treasury Department's Tuesday deadline — raise the national borrowing limit or face an unprecedented federal default and unpredictable fallout in the economy — analysts suggested the market would only grow more volatile.

While no one was panicking, financial professionals who handle the investment accounts of everyday Americans — college funds, retirement accounts and other nest-eggs — said their customers were growing more worried by the day. One said he had not seen this level of anxiety since the 2008 financial crisis.

Dems. To Obama: Invoke 14th Amendment

WASHINGTON (AP) — House Democrats said Wednesday that President Barack Obama should invoke a little-known constitutional provision to prevent the nation from going into default if Congress fails to come up with a plan to raise the debt ceiling.

Rep. James Clyburn of South Carolina, a member of the Democratic leadership, said he told fellow Democrats that Obama should both veto any House GOP plan for a short-term extension of the debt ceiling and invoke the 14th amendment, which says that the validity of the nation's public debt "shall not be questioned."

The White House has rejected resorting to this tactic to keep the nation from defaulting, questioning its legality, but Rep. John Larson of Connecticut, who chairs the Democratic caucus, said "we're getting down to decision time" and "we have to have a failsafe mechanism and we believe that failsafe mechanism is the 14th Amendment and the president of the United States."

Larson said Clyburn's proposal on the 14th Amendment was met with applause by other Democrats at their meeting.

White House spokesman Jay Carney, asked about Clyburn's proposal, said only Congress has the authority to extend the government's borrowing authority. "The president does not have authority to raise the debt ceiling. It's not a plausible way to address this problem and we do not think it is an option," he said.

Hope For Debt Deal, Despite Disputes

BY DAVID ESPO
AP Special Correspondent

WASHINGTON — Crisis concerns rising, House Republican leaders shrugged off a White House veto threat and an outbreak of tensions within their own party Wednesday as they built support for legislation to stave off the government default threatened for next week. Worried Wall Street sent stocks plunging on fears that political gridlock would prevail.

"I can't do this job unless you're behind me," House Speaker John Boehner bluntly told his fractious rank and file as he pleaded for the votes to pass the bill, which was hastily rewritten to show deeper spending cuts than 24 hours earlier.

The White House disparaged the measure Republicans were working so hard to pass. Sen. Harry Reid of Nevada called it "a big wet kiss for the right wing," and all 51 Senate Democrats and two independents pledged to scuttle it if it cleared the House.

The White House has threatened a veto, saying the bill does not meet President Barack Obama's demand for an increase in the debt limit large enough to prevent a rerun of the current crisis next year, in the heat of the 2012 election campaign.

Instead, Obama supports an alternative drafted by Reid that also cuts spending, yet provides enough additional borrowing authority to tide the government over through next year.

For all the bluster, there were hints that a compromise might be near.

"Magic things can happen here in Congress in a very short period of time under the right circumstances," said Reid, the Senate majority leader.

Without legislation in place by Aug. 2, administration officials say the Treasury will not be able to pay all the nation's bills, possibly triggering a default that could prove catastrophic for an economy still recovering from the worst recession in decades.

Two days after Obama and Boehner made unprecedented back-to-back speeches on national television, there was evidence that the debt crisis was becoming a national cause of concern.

The U.S. financial markets posted big losses for the day as political leaders maneuvered. The Dow Jones industrial average fell nearly 200 points and appeared headed for its worst week in nearly a year.

"Confidence in our political system is beginning to fade," said Channing Smith, managing di-

rector of Capital Advisors Inc. "As hours pass and the uncertainty builds, I think the market is starting to price in the potential that we might not have a solution by Aug. 2."

In Washington, across from the Capitol, a few dozen tea party activists rallied — and appeared as divided as the conservatives in the House. Some issued an online call for Boehner to resign as speaker, while others said he deserved time to try and strike the best deal possible.

The Republican legislation underwent revisions to increase its prospects of passage.

That meant changes that brought projected savings for 2012 to \$22 billion, part of a 10-year cut of \$917 billion in all that would trigger a \$900 billion increase in the debt limit. The bill also would establish a special committee of lawmakers to recommend additional cuts that would trigger additional borrowing authority if approved.

While the two parties' bills differed in key details, they also shared similarities that underscored the concessions made by both sides in recent days. Reid's bill does not envision a tax increase to reduce deficits, a bow to Republicans. But neither does the House measure require both houses to approve a constitutional balanced budget amendment for state ratification, a step in the direction of Obama and the Democrats.

For Boehner, Wednesday's House vote shaped up as a critical test of his ability to lead a fractious majority that includes 87 first-term lawmakers, many of them elected with tea party support. Passage was also imperative to maximize the leadership's leverage with Obama and Reid in a fast-approaching endgame.

The speaker was direct in the meeting with rank-and-file GOP lawmakers on Wednesday. "Get your ass in line," he told them. "I can't do this job unless you're behind me."

If House conservatives torpedoed the bill, any follow-up would probably require Democratic votes to pass. That, in turn, would mean smaller spending cuts than Republicans are seeking in exchange for raising the nation's \$14.3 trillion debt limit.

As Wednesday's vote approached, some Republicans seemed to be swinging behind the legislation, however reluctantly.

There was strong opposition from some lawmakers, though.

"I don't know where the votes are today," said Rep. Jim Jordan, R-Ohio, a leader of the Republican Study Committee, an organization of conservative Republican lawmakers who often

have disagreed with the leadership. "I just know that I am against the bill."

But Jordan felt obliged to open a closed-door meeting of the GOP rank and file during the day by apologizing for the actions of two aides. Officials said one sent an email to outside organizations suggesting they lobby some RSC members who were wavering on the debt limit bill. A second aide recounted details of an earlier GOP closed-door meeting in an email he had sent.

As Rep. Greg Walden, R-Ore., read one of the emails aloud, there were scattered calls to "fire him," referring to the aide responsible. The officials who described the events did so on condition of anonymity, saying they were not authorized to disclose details from a closed-door meeting.

Across the Capitol, Reid played a waiting game, scheduling no votes until Boehner could show he could prevail in the House.

The White House rejected one proposed way out of the crisis.

Democratic Rep. Jim Clyburn suggested the president unilaterally raise the debt limit, citing a clause in the 14th Amendment to the Constitution that says the validity of the nation's public debt "shall not be questioned."

Obama said several days ago he had consulted with White House lawyers on that point and they were unenthusiastic about the idea.

At the White House, Carney was dismissive of the suggestion. "There are no off-ramps. There is no way around this. There is no escape," he said.

Pending revisions, the Congressional Budget Office said the House legislation would cut deficits by about \$850 billion over 10 years, short of a promised \$1.2 trillion, while allowing a \$900 billion increase in borrowing authority.

Equally troublesome among the rank and file, it would generate just a \$1 billion deficit cut in the first year after it was implemented.

A second, \$1.6 trillion increase in borrowing authority would depend on Congress' ability to make additional cuts of at least \$1.8 trillion later this year or in 2012.

Reid countered with a measure that budget analysts said would cut a little more than \$2 trillion, a half-trillion less than promised, while raising the debt limit by \$2.7 trillion.

To the irritation of Republicans, about \$1 trillion of his savings would come from assumptions that the wars in Iraq and Afghanistan would soon wind down, resulting in smaller-than-expected Pentagon budget needs.

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