

WASHINGTON — President Barack Obama on Friday challenged Congress to compromise and "do something big" to reduce long-term deficits, insisting he was willing to make his own tough choices including trimming benefits for wealthy Medicare recipients. Facing a critical Aug. 2 deadline to raise the nation's debt limit, Obama said the public was on his side but "we're running out of time."

Obama urged Republican lawmakers to make tough calls, too. He attempted to turn their opposition to any tax increases back against them, warning that a government default caused by failure to raise the debt ceiling would increase interest rates, "effectively a tax increase for everybody."

Speaking in his second news conference of the week, Obama tried to cast himself as the voice of reason in the debate, saying several times that polls show even Republican voters support his approach to deficit reduction through spending cuts and additional tax revenue. "This is not a matter of the American people knowing what the right thing to do is," he said. "It's a matter of Congress doing the right thing and reflecting the will of the American people."

The news conference came as the debate was shifting back to the halls of Congress after five days of private White House meetings failed to yield an agreement on the debt ceiling and deficit reduction. House Republicans were preparing to vote on spending cuts next week, and in the Senate the Democratic and Republican leaders were working on a fallback plan in the event Aug. 2 came too close without any deal.

Obama conceded that "it's hard to do a big package" in deadlocked Washington. He showed openness to a deal less ambitious than the "grand bargain" of \$4 trillion in deficit reductions over 10 years that he had envisioned.

He said of the Republicans: "If they show me a serious plan I'm ready to move."

Obama said he was willing to target cherished Democratic programs, such as Social Security and Medicare, declaring publicly for the first time that he was willing to consider an income threshold for Medicare beneficiaries.

"I've said that means testing on Medicare, meaning people like myself, if — you know, I'm going to be turning 50 in a week, so I'm starting to think a little bit more about Medicare eligibility," he said. "You can envision a situation where, for somebody in my position, me having to pay a little bit more on premiums or co-pays or things like that would be appropriate. And again, that could make a difference."

Under current law, couples making over \$170,000 or singles over \$85,000 already pay somewhat higher Medicare premiums for doctors and for prescription drugs. An administration official, speaking on condition of anonymity to discuss the president's thinking, said that as part of a substantial deficit-trimming deal, Obama is willing to make Medicare recipients above those income thresholds pay "modestly higher premiums." The official did not elaborate.

House Republicans are pushing for a balanced budget constitutional amendment and for a deficit reduction plan that would reduce spending by at least \$2.4 trillion over 10 years.

Obama sternly rejected any plan of that size that did not include increases in tax revenue.

"If you're trying to get to \$2.4 trillion without any revenue, then you are effectively gutting a whole bunch of domestic spending that is going to be too burdensome," the president said. "It is not going to be something that I would support."

Administration officials and private economists say that if the U.S. fails to raise its borrowing limit and begins to stop paying its bills as a result, the fragile U.S. economy could be cast into a crisis that would reverberate around the globe.

Earlier Friday, Republican and Democratic congressional leaders emerged from closed-door meetings with hardened stances. Republicans announced plans to call a vote next week on a bill that would require passage of a balanced budget amendment as a condition for extending the debt limit.

Obama was dismissive of the House approach. "My expectation is that you'll probably see the House vote on a couple of things just to make political statements," he said.

Rep. John Campbell, R-Calif., said Republicans needed to take a stand to force all sides to renegotiate.

"I think everybody knows the president won't sign this," he said, of next week's bill. "But we're putting a marker down, and that's an important step that begins the process of resolving this."

Failure to reach compromise has focused attention on a fallback plan under discussion by Senate Republican leader Mitch McConnell and Democratic leader Harry Reid. That plan would give Obama greater authority to raise the debt ceiling while setting procedures in motion that could lead to federal spending cuts.

Meanwhile the administration dispatched White House Chief of Staff Bill Daley, Treasury Secretary Tim Geithner and Budget Director Jacob Lew to meet with House Speaker John Boehner and Major Leader Eric Cantor at the Capitol.

In urging Republicans and his liberal base to accept both revenue increases and cuts in prized benefit programs, Obama was making a direct appeal to the independent voters who rallied to his campaign in 2008 and who have wavered in their support during the first two and a half years of his presidency.

"The American people do not want to see a bunch of posturing," he said. "They don't want to hear a bunch of sound bites. What they want is for us to solve problems. And we all have to remember that. That's why we were sent here."

The outline of the McConnell plan was winning unusual bipartisan support, though some conservatives voiced misgivings.

Under the plan, which would require approval by the House and Senate, Obama would have the power to order an increase in the debt limit of up to \$2.5 trillion over the coming year unless

both the House and Senate voted by two-thirds margins to deny him. Reid and McConnell were trying to work out ways to guarantee that Congress would also get to vote on sizable deficit reductions. The plan also could be linked to immediate spending cuts already identified by White House and congressional negotiators.

Obama offered measured praise: "It is constructive to say that if Washington operates as usual and can't get something done let's at least avert Armageddon."

But the president said that McConnell's approach only addressed the pressing issue of the debt ceiling, not the country's longer-term deficit woes, and he wanted to handle that as well.