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POWER PLAY

Obama Issues Government Shutdown Threat



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Anatomy of a Government Shutdown

"Of course a shutdown is possible because that's what the Republicans are threatening us with on national TV, Meet the Press or one of those dandies or whatever the show was. The Republican leader was asked, and I'm paraphrasing, 'is there going to be a government shutdown?' and he wouldn't respond to the question. So, this isn't Schumer or Reid or Hoyer. Of course it's a possibility. That's what we're trying to avoid."

-- Senate Majority Leader [Harry Reid](#) talking to reporters about House Speaker John Boehner

[President Obama](#) warned of stopped [Social Security](#) checks and issued a formal veto threat Tuesday to the Republican spending plan currently being debated in the House, setting the stage for a potential government shutdown next month.

Democrats in the last congress did not pass a budget at all, so the government has run on a series of stopgap spending extensions since October. The current one expires March 4.

Republicans, now in control of the House, have worked up a plan to fund the government to the end of the year that reduces spending \$61 billion from 2010 levels and \$100 billion from what Obama has requested. The House will have a second day of contentious debate on the spending plan as hard-line deficit hawks and pro-spending liberals take turns trying to amend the bill.

Despite all the falderal, final passage is anticipated Thursday, and attention is already shifting to the Senate.

There, the 47-member Republican minority is suggesting that their cuts will look different than the ones made by their friends in the House, but that they will try to match the volume of reductions. That provides a chance for the Senate GOP to start working on a compromise with moderate Democrats to find the 13 votes needed to push through a plan (more if ultra hawks like Sen. [Rand Paul](#) fly away).

Knowing the way the Senate operates, Power Play predicts that the final Senate legislation will be halfway between the Obama proposal and the House bill. That's just how they roll.

Then, the House has to decide whether it can accept the compromise legislation. This would be the first chance for a government shutdown.

Senators are working up a short-term spending measure to provide more time for negotiations, but even that will be controversial among the most conservative members of the House. But there would likely be enough moderate Republicans and Democrats to back a very short-term extension – perhaps three weeks – to finish the negotiations.

It will then be up to a similar coalition of Blue Dog Democrats and most Republicans to put through the Senate plan over [Tea Party](#) protests. This is when things will get very dicey for the House leadership. There are many in their caucus who would much rather see the government shut down than yield in their pledge to slash spending.

But, some legislation will emerge from Congress, with cuts likely a little deeper than those passed by the Senate – a compromise of the compromise. Then it's up to Obama to decide if he will accept.

Remember, because Democrats failed to pass a budget last year, the responsibility falls to Obama for any potential government shutdown. Unlike 1995 when the battle was over President [Bill Clinton](#) refusing to sign a Republican-passed budget, Obama will be put in the position of refusing to sign a stopgap spending proposal necessary because his party didn't act in the previous year. This is not a long-term priority issue. This is an emergency appropriation.

Another major difference from 1995 is that with a Democratic Senate, Obama will have his chance to work his will before the legislation gets to his desk.

Hanging over all of this is the administration's demand that Congress increase the federal debt limit from the current \$14.3 trillion. Speaker John Boehner's team has enhanced the Republican bargaining position here by detaching the debt limit issue from the budget. The House previously made such increases a part of spending bills, but the GOP is setting the issue aside for consideration.

That gives Republicans more time to pressure Obama for cuts – potentially as late as May.

Sen. Pat Toomey today will defend in a speech the Republican position that not increasing the debt limit does not necessarily mean defaulting on U.S. obligations. In 1995, President Bill Clinton used the default trigger as his reason for shutting down the government.

In Obama's press conference Tuesday, he warned of an end to Social Security checks and veterans pension payments if Republicans didn't produce a "responsible" spending plan.

But despite Democratic confidence that another shutdown would be a repeat of 1995 when then-Speaker [Newt Gingrich](#) lost his showdown with Bill Clinton, Obama seems unlikely to veto a spending plan and shut down the government rather than sign a measure produced with some bipartisan support and relating to only 15 percent of the budget for half of one year.

Boehner Goes Jersey on Government Workers

"To the extent that people are finding any type of attraction to what I'm doing, it's mostly because I'm being straight with them. It's not a bunch of prepared hooley, read off a teleprompter."

-- Gov. Chris Christie, R-N.J., to Politico

Democrats are wailing with outrage over House Speaker John Boehner's statement Tuesday that if Republican spending plans mean the loss of some of the 200,000 federal jobs added in the past two years then "so be it."

Minority Leader [Nancy Pelosi](#) and her team are denouncing Republican callousness on the issue of unemployment at a moment of economic fragility, and suggesting that those government jobs are helping to turn the economy around.

It should be helpful to Boehner that New Jersey Gov. [Chris Christie](#) is in town today to give a speech at the American Enterprise Institute. The pugnacious Republican has made a political virtue of his war with public employees in New Jersey. His battle with government unions was once forecast as political doom in a state so heavily dominated by public employee labor groups.

Of course, Christie also has the advantage that over-taxed New Jerseyans had reached a point of great desperation and were willing to consider drastic measures after the disastrous term of Gov. [Jon Corzine](#) (D).

But national frustration with public workers and government unions has grown too. The wide disparities in salary and benefits between government and private-sector workers have caused deep irritation.

The Bureau of Economic Analysis estimated that in 2009 federal civil servants earned average pay and benefits of \$123,049 while private workers made \$61,051. The gap was double what it had been in 2000.

Christie has shown that pushing back against privileged government workers with high pay and tremendous job security can have popular appeal, even in a state as dependent on government employment as New Jersey.

Democrats may find that other Republicans, including Boehner, have success in embracing the Christie approach.

Conrad and Senate Short Timers Key to Fiscal Plan

“A retiring senator can be very dangerous.”

-- Senior Senate aide talking to Power Play

There are three retiring Democratic moderates in the Senate – [Joe Lieberman](#) of Connecticut, [Jim Webb](#) of Virginia and [Kent Conrad](#) of North Dakota – who may be the key to the effort to reform the nation’s bankrupt entitlement programs.

President Obama said Tuesday that he intentionally omitted considerations of Social Security, [Medicaid](#) and [Medicare](#) from his budget because he was awaiting “serious” and “mature” proposals from Congress.

Well, there are plenty in Congress who are ready to oblige him with plans of their own.

There are serious political risks for Republicans in answering Obama’s call since the go-to Democratic attack on GOP candidates remains allegations of “extreme” plans on Social Security. And Democrats who express support for such proposals face the loss of support from key liberal groups like labor unions and AARP.

Even though the president’s suggestion that such hot-button issues could be taken up in advance of the 2012 election seems disconnected from political reality, there is a move afoot in the Senate to push the issue now.

Any plan will depend on how the immediate spending fights in Congress play out, but assuming that things don’t go thermonuclear, some moderates think there may be a window of opportunity to advance some of the proposals of the president’s bipartisan debt commission, including changes to Social Security and Medicaid eligibility in future decades.

In the Senate all eyes are on Conrad, whose retirement has freed him of the need to curry favor with big party donors in advance of what would have been a bruising reelection bid next year.

Problems with Drilling Regulations? Who Knew?

“It’s better late than never, but it shouldn’t have taken the worst ecological disaster in history for GAO to place this program onto the high risk list.”

-- Statement from Rep. Darrell Issa, R-Calif., chairman of the House Oversight Committee, and one of the first to sound the alarm about problems with the way the government managed oil leases

Every other year, the [Government Accountability Office](#) issues its “high-risk list” – an overview of the agencies and programs that federal auditors think are most ripe for waste, fraud and abuse and should be subject to extra scrutiny.

Some are classics, like Medicare, Medicaid, federal flood insurance, the [Postal Service](#), tax law enforcement, Pentagon contract management and highway construction. Others are from unexpected sources, like EPA laboratories and FDA inspection.

The new trouble spot this year is “management of federal oil and gas leases” – a move equivalent to conducting a probe into “barn door operation and security” after the horse is already standing out in the pasture.

The Department of the Interior, which oversees the leases, was wracked with scandal over the inappropriate relationship between lease managers and their oil industry tenants – allegations of sex, drugs and bribes – at the end of the [Bush administration](#). Then under the Obama administration, the agency blew the call on BP’s [Deepwater Horizon](#) rig, which blew up and killed 11 people before starting a five-month oil spill.

If the Interior Department’s lease management had been included in the 2009 high-risk list, the Accountability Office would have been merely up to date following the corruption claims of that time. Adding the agency now is almost an admission that accountability is hard to come by inside a government that spends more than \$3 trillion and employs 2.2 million people.

But, the inclusion of the agency now only increases pressure on Interior Secretary [Ken Salazar](#) who has been under fire since the BP disaster. Salazar had promised an overhaul of lease management, which he did not deliver in his first year on the job. Now, we are assured that the changes have taken place. The GAO today says that such assurances should not be accepted blithely.

There is also the possibility for new kinds of problems. Rather than the cozy incompetence that marked lease oversight in the past, the new fear is punitive rather than protective regulation.

And Now, A Word from Charles

“It will be interesting to see whose political calculation is the better one. Are Americans serious about debt reduction? Will they reward the Republicans for courage or reward the Democrats for cynicism and protecting every single program?”

-- [Charles Krauthammer](#) on [“Special Report with Bret Baier”](#)

Chris Stirewalt joined Fox News Channel (FNC) in July of 2010 and serves as digital politics editor based in Washington, D.C. Additionally, he authors the daily "Fox News First" political news note and hosts "Power Play," a feature video series, on FoxNews.com. Stirewalt makes frequent appearances on the network, including "The Kelly File," "Special Report with Bret Baier," and "Fox News Sunday with Chris Wallace." He also provides expert political analysis for Fox News coverage of state, congressional and presidential elections.

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