

RELEASE IN PART  
B6

**From:** Mills, Cheryl D <MillsCD@state.gov>  
**Sent:** Thursday, November 11, 2010 10:10 AM  
**To:** H  
**Subject:** FW: WH fully caves on tax cuts (Ax interview with HuffPo)

See below.

-----Original Message-----

**From:** John Podesta [redacted]  
**Sent:** Thursday, November 11, 2010 10:09 AM  
**To:** Neera Tanden  
**Cc:** Mills, Cheryl D; 'Doug Band'  
**Subject:** RE: WH fully caves on tax cuts (Ax interview with HuffPo)

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At least David has his principles in tact like he won't be for small things like school uniforms--only big things like totally caving in to right wing economics. Unbelievable.

-----Original Message-----

**From:** Neera Tanden  
**Sent:** Thursday, November 11, 2010 9:36 AM  
**To:** John Podesta  
**Subject:** Fw: WH fully caves on tax cuts (Ax interview with HuffPo)

Well, our meeting just became moot

Though I'd like to take the time [redacted]

----- Original Message -----

**From:** Joshua Dorner  
**To:** Neera Tanden; PR Core; Progressive Media; Economic Policy Core  
**Sent:** Thu Nov 11 09:25:03 2010  
**Subject:** WH fully caves on tax cuts (Ax interview with HuffPo)

[http://www.huffingtonpost.com/2010/11/10/white-house-gives-in-on-bush-tax-cuts\\_n\\_781992.html](http://www.huffingtonpost.com/2010/11/10/white-house-gives-in-on-bush-tax-cuts_n_781992.html)

White House Gives In On Bush Tax Cuts  
First Posted: 11-11-10 12:16 AM | Updated: 11-11-10 01:15 AM

WASHINGTON -- President Barack Obama's top adviser suggested to The Huffington Post late Wednesday that the administration is ready to accept an across-the-board continuation of steep Bush-era tax cuts, including those for the wealthiest taxpayers.

That appears to be the only way, said David Axelrod, that middle-class taxpayers can keep their tax cuts, given the legislative and political realities facing Obama in the aftermath of last week's electoral defeat.

"We have to deal with the world as we find it," Axelrod said during an unusually candid and reflective 90-minute interview in his office, steps away from the Oval Office. "The world of what it takes to get this done."

"There are concerns," he added, that Congress will continue to kick the can down the road in the future by passing temporary extensions for the wealthy time and time again. "But I don't want to trade away security for the middle class in order to make that point."

It has been widely assumed that the president would have to accept an across-the-board deal of some kind, but Axelrod's remarks were the first public confirmation of that fact -- and by a figure regarded as closer to Obama than any other White House staffer.

Also dealing "with the world as we find it," Axelrod declined repeatedly to comment on any of the controversial debt-reduction measures suggested by the chairs of the president's own commission -- even those, such as raising the Social Security retirement age, that go against Obama campaign pledges and strike at the heart of Democratic constituencies.

He said that the White House would wait until the commission made its final recommendations on Dec. 1 before adding, "the president's commitments haven't changed."

By giving ground on taxes and remaining silent on budget suggestions that others, including Speaker Nancy Pelosi (D-Calif.) and AFL-CIO head Richard Trumka, quickly denounced, Axelrod showed the subdued caution of an adviser to a humbled boss.

But the top Obama aide also erected some barriers against newly-emboldened Republicans and their Pentagon allies.

Axelrod said that his boss would veto repeal of his cherished health care law, though he would "work with people" who "have constructive ideas about how to strengthen" it. The veto threat was not unexpected, but it was the first time that a top administration figure had issued such a threat on the record. And in doing so, Axelrod predicted that Republicans would be making a major misstep by challenging the White House's commitment on this front.

"I'm not going to prejudge what they are going to do," Axelrod said of Republican opposition to the legislation. "But I will tell you this -- we are firm in our commitment, we are willing to work with people to improve this plan we are not going to stand for those who want to undermine it and destroy it."

"The notion of spending the next two years fighting over this, I think, is a complete misreading of what the American people want," he added.

"They want us to focus on the economy. They don't want us to fight the battles of the last two years. But we are not going to stand by and go back to allowing people with preexisting conditions to be discriminated against, go back to the situation where people can be thrown off their insurance simply because they become seriously ill or you can't get on your parents' insurance after the age of 20. There are so many things that are just central."

Meanwhile, on the war in Afghanistan -- an expensive and increasingly unpopular conflict -- Axelrod pushed back hard against the notion, floated in some recent stories quoting "senior administration sources," that the deadline for beginning troop withdrawals had been pushed back from July 2011 to some time in 2014.

"If it is being sourced to senior administration officials, than someone has bad administration sources," Axelrod said. "There is no change in the president's position. There is no change in that basic commitment."

But there is just such a change on taxes.

Although the president "took the position he felt was the right position" -- favoring a continuation of the cuts only for families earning up to \$250,000 -- Axelrod portrayed this "optimal" stance as unrealistic in the lame-duck Congress that begins next week.

For one, time is not on the administration's side. All of the tax cuts, enacted in 2001 and 2003, will expire at the end of this year unless Congress acts. The Republicans in effect "built in tax increases," Axelrod said. And separating out different categories of tax cuts now -- extending some without extending others -- is politically unrealistic and procedurally difficult, he added.

"We don't want that tax increase to go forward for the middle class," he said, which means the administration will have to accept them all for some unspecified period of time. "But plainly, what we can't do is permanently extend these high income taxes."

In other words, the White House won't risk being blamed for raising taxes on the middle class even though, arguably, it is the GOP's refusal to separate the categories that has put Obama in this bind. The only condition, at least initially, seems to be that the tax cuts for the wealthy not be extended "permanently."

A student of history and a onetime political reporter, Axelrod expressed curiosity and even some optimism about the tea party, suggesting that Obama could work with them on matters such as a ban on spending earmarks and on winding down the war in Afghanistan.

If so, Obama would turn the Clinton-era triangulation strategy on its head, reaching out not to the moderates in the other party but to the new breed of conservatives who could bring the ideological arc of Congress full circle.

Can the White House work with them? "It is a fascinating time in our history," he said, "and I don't think anybody really knows. I mean I have watched carefully some of these folks on television. I don't think this is nearly as predictable as people think."

President Obama, in fact, has called every new Republican senator-elect and many of the incoming GOP House members -- "well over 100 calls" in all, said Axelrod.

That's how a shellacked president spends his plane time on a trip to Asia.