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Obama's Bid to Spur Growth

President Asks Congress for $447 Billion In Cuts, Spending; Tepid GOP Response

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President Barack Obama called on Congress Thursday to pass a $447 billion package of spending initiatives and tax cuts to boost economic growth, in what might be the White House's last chance to revive its political fortunes before the 2012 campaign kicks into high gear.

More than half of Mr. Obama's plan consists of payroll-tax cuts for employees and employers—an idea the White House hopes will appeal enough to Republican lawmakers—and is the policy that could have the best chance to pass.

Among other measures, the president also called for more than $46 billion in spending to extend unemployment insurance benefits through 2012 and fund programs to alleviate long-term joblessness. He also proposed $140 billion in infrastructure spending and aid to states.

The president's plan, unveiled in a speech to a joint session of Congress, is an attempt to wrest the initiative in Washington's protracted debate about fiscal policy. Both parties emerged from the debt-limit fight this summer with their approval ratings heading south as the economy stalled with the unemployment rate stuck above 9%.

In one sense, the jobs plan is in part a political strategy designed to give Mr. Obama room to campaign against Congress if lawmakers don't act. White House officials say they don't expect Congress to pass much of the proposal, which they say was constructed from policies that have previously won bipartisan support—a point Republicans dispute.

Throughout his speech, Mr. Obama made repeated references to Republican plans and ideas, and even used a phrase similar to that employed by House Majority Leader Eric Cantor of Virginia when he talked about America's getting their “fair shake.”

At the same time, in a tone that was alternatively demanding and exasperated, he offered a robust defense of the Democratic vision of government and sharply criticized Republicans for their position on taxes and limited government. “Ultimately, our recovery will be driven not by Washington, but by our businesses and our workers,” Mr. Obama said. “But we can help.”

As such, the speech was the latest in a series of efforts by the White House to present the president as above the Washington fray, a strategy designed to appeal to independents the president needs to win reelection but who have been deserting his cause of late.

Such an approach—setting himself up as the grown-up in town—didn’t work for Mr. Obama during the debt-ceiling debate over the summer. While Congress’ approval rating took a greater beating, according to a recent Wall Street Journal/NBC poll, Mr. Obama also took a hit. The Journal/NBC poll showed a sharp drop in voters’ confidence that Mr. Obama can achieve his goals.

Regardless of the arguments we’ve had in the past, regardless of the arguments we’ll have in the future, this plan is the right thing to do right now,” Mr. Obama said Thursday, his message clearly directed at Republicans. He also repeatedly urged Congress to act with speed on his proposal.

Mr. Obama studiously avoided calling his American Jobs Act a “stimulus” plan, a term freighted with political baggage. But it calls for tens of billions of dollars in aid to state and local governments, including cash for hiring teachers and refurbishing schools, as well as a $10 billion infrastructure bank and $50 billion for transportation projects.

Republicans in Congress appear ready to soften, albeit hesitantly, their lockstep opposition to the president. The party is also eager to focus its attention on policies designed to foster job creation, and they offered support for some of the ideas—a marked change. House Speaker John Boehner of Ohio said Mr. Obama’s proposals “merit consideration,” adding that he hoped “we can work together to end the uncertainty facing families and small businesses.”

Republicans applauded Mr. Obama’s proposal to let workers keep receiving unemployment checks while they audition for a job. And some like the idea of an infrastructure bank, funded with federal dollars, though others were suspicious of how the funds would be spent. Mr. Obama’s suggestions for increased spending on roads, rail lines, airports and waterways, as well as aid to states, drew GOP opposition.

Republicans did object to the size of the package. “To suggest $450 billion in new spending, claim it’s paid for but say somebody else is going to come up with the cuts—after the spending trauma we’ve been through, that fell pretty flat,” said Rep. Peter Roskam (R., Ill.).

Mr. Obama largely bucked pressure from members of his own party who have urged him to put forward a bold, left-leaning vision of how to stimulate the economy. Lawmakers may try to enact some elements in Mr. Obama’s speech that have bipartisan support to show Washington can tackle hard problems. “I think it would surprise us all how quickly optimism could return if the relation between the parties could improve,” said Mr. Cantor, who called the payroll-tax break “certainly part of the mix.”

A handful of GOP lawmakers, including Sen. Jim DeMint (R., S.C.) and Rep. Joe Walsh (R., Ill.), didn’t attend Thursday’s address, deriding it as little more than a campaign speech.

The address came on the heels of a government report that showed the economy added zero jobs in August. The options available to policy makers, including at the Federal Reserve, are constrained both by the tepid public interest in spending more money on stimulus projects and the limits of monetary policy with short-term interest rates close to zero.

The president made cutting the deficit a footnote in his speech Thursday night. But, aware of voter interest in curtailing spending, he stressed that his plan will be paid for by closing tax loopholes and other deficit-reduction measures.

Mr. Obama will call on a congressional supercommittee crafting a deficit-reduction package to aim for a larger number that also pays for his $447 billion plan over the next decade. He said he will put forward a plan for the committee on Sept. 19.
Economists have noted the relative small size of the plan and the debatable impact of a temporary cut in payroll taxes. The payroll-tax and unemployment-insurance provisions would be equivalent to about 1% of gross domestic product.

Mark Zandi, chief economist at Moody’s, estimated that the plan would add 2 percentage points to real GDP growth and 1.9 million payroll jobs, while reducing the unemployment rate by a percentage point.

White House officials said most of the spending in Mr. Obama’s plan would take effect in 2012, although some funding, such as $35 billion for teacher hiring, could be spread over the next two years, White House officials said.

On the tax front, Mr. Obama’s plan would cut the payroll tax for employers in half for businesses’ first $5 million of wages. Additionally, businesses would get a full payroll tax holiday for any increase in payroll up to $50 million.

Mr. Obama’s plan includes an initiative, modeled after programs in states like Georgia and North Carolina, which would allow people who have been unemployed for six months or more to work for up to eight weeks while receiving unemployment benefits, a way to forestall the problems that come with long-term unemployment.

The president’s plan also includes a work-sharing initiative that allows people to receive some unemployment benefits to avoid layoffs. The plan would put $25 billion toward refurbishing at least 35,000 schools, the White House said, and an additional $5 billion would go toward community colleges.

Mr. Obama also promised ideas to revamp the tax code “in a way that asks the wealthiest Americans and biggest corporations to pay their fair share.” But he offered no new specifics.

The proposal doesn’t include a new plan to deal with the housing market. White House officials said the administration would put forward a housing proposal in coming weeks.

Mr. Obama will begin to sell his plan Friday in Richmond, Va., an area represented by Mr. Cantor. Mr. Cantor will also be in the area headlining his own economic event.

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