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## THE HILL'S Congress Blog

Where lawmakers come to blog

### The Big Question: What should Obama do next on the economy?

By Sydelle Moore - 01/25/10 10:47 AM ET

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Some of the nation's top political commentators, legislators and intellectuals offer their insight into the biggest question burning up the blogosphere today .

Today's question:

#### What should President Barack Obama's strategy be to improve the economy before the midterm elections? Will the president be able to achieve those goals with Congress?

(Read today's responses after the jump.)

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#### What should President Barack Obama's strategy be to improve the economy before the midterm elections? Will the president be able to achieve those goals with Congress?

**John Castellani**, president of the Business Roundtable, said:

Our economy is slowly recovering from the traumatic events of the past year and a half. And while our CEOs expect increased sales and capital expenditures in the coming months, we know this will be a long and rocky recovery with employment lagging well behind overall economic growth.

One of the lessons we have learned from the crisis is that government and business must work together to solve the social and economic challenges of the 21st century. The public sector needs business to innovate, create jobs and generate revenue, and companies need government to advance policies that help them compete on the global stage. There are a variety of ways to do this, but most critically, we must partner to increase America's engagement and competitiveness in the international economy. Fully 95 percent of the world's consumers live outside the United States, and approximately one-fifth of American jobs are tied to international trade and investment. The President has talked about the need for such policies;

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now is the time for him to act.

American officials spent enormous amounts of political capital to negotiate treaties with Colombia, Panama and Korea that are favorable to U.S. workers and economic growth. Yet, these critical pathways to prosperity have been left to die a slow death in Congress. Worse, other countries are exploiting our inaction to their benefit. The E.U. and India recently concluded FTA negotiations with Korea, and Canada is poised to pass an agreement with Colombia.

Our members stand ready to work with members of Congress on both sides of the aisle to pass these critical pro-job treaties into law, and we will play our part to help the Administration negotiate more agreements and engage further in the international market to our nation's benefit. The future of the American economy hangs in the balance.

Daniel J. Mitchell, Senior Fellow, The Cato Institute

President Obama should stop behaving like Jimmy Carter and take a page from Bill Clinton's playbook and reduce the size of government. The president's so-called stimulus has not worked. Unemployment has jumped to 10 percent when the White House promised it would not rise above 8 percent. Under Clinton, by contrast, the burden of government spending fell from 21.4 percent of GDP to 18.5 percent of GDP, including reductions in both entitlement programs and non-defense discretionary outlays as a share of economic output. Less spending will boost growth by freeing up resources for the productive sector of the economy. Obama also needs to copy Clinton's wise choice to throw in the towel on government-run health care. We have lots of problems in our healthcare system, but they are the result of government intervention, so it should not be a surprise that even left-wing voters in Massachusetts are against the administration's budget-busting scheme. Last but not least, the White House should pull tax increases off the table. This may antagonize the class-warfare wing of the Democratic party, but Clinton avoided tax increases after his first year and even signed into law a reduction in the capital gains tax rate. Even left-wing Democrats should understand that Bill Clinton is a better role model (at least with regards to economic policy) than Jimmy Carter.

Brad Delong, professor of Economics at the UC Berkley, said:

There are two paths to boost employment in the short term.

The first path is to boost demand for goods and services and best to boost production of goods and services—and then have the level of employment pulled up as businesses hire people to make the goods and services to meet the demand.

The second path is not to worry about production of goods and services but rather to try to boost employment directly. The first is better: not only do you get more jobs, you got more useful stuff too.

The problem with the first path is that it does not act particularly quickly—it is, as Milton Friedman liked to say, subject to what he called “long and variable lags.” Thus at moments like this, when unemployment is unacceptably high and is not falling, there is a very strong case that it is time to resort to the second path: either have the government hire people and put them to work—without worrying much about the quality or value of the goods and services they produce while they're at work—or induce businesses to hire more people—again, without worrying much about the quality or amount or the efficiency of the goods and services that the people

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employed produce. We are talking direct government employment programs, or we are talking large tax credits for businesses that raise the number of workers they employ.

There is still time for a substantial shift in federal spending toward high-employment (but in all likelihood low-value) projects to create a better economy from an employment standpoint before the end of 2010—if congress acts quickly. And there is still time for a substantial temporary and incremental new-hire tax credit for businesses to boost employment before the end of 2010.

Will congress act quickly? Only if fifty Democratic senators are willing to use the Reconciliation process to do so.

**John Feehery**, [Pundits blog](#) contributor, said:

He should act like Republicans already have won the majority. He should invite the Republican Leadership down to the White House, he should solicit their ideas, and then he should work with the moderate Dems and the GOP to enact them into law. If they don't work, he can spread out the blame. If they do work, he will win reelection.

**Herbert London**, president of the Hudson Institute, said:

The president secured a stimulus package of \$787 billion that didn't stimulate. He said the unemployment rate would stabilize at 8 percent, but it has risen to 10 percent. President Obama criticized the deficit of the Bush administration which was a \$600 billion, but due to excessive expenditures in the last year is now at \$1.7 trillion. In other words, the Keynesian pump priming hasn't worked.

Hence another approach is warranted. I would argue that tax reductions across the board might be a more realistic way to energize the economy. If the president were to say to energize the economy. If the president were to say my conventional spending approach hasn't worked and I need your help to pursue a different strategy, he could encourage bipartisan support.

**Bruce E. Gronbeck**, professor of Political Communication at the University of Iowa, said:

Tactically, the President's already begun to implement his strategy--jobs, jobs, jobs. Last year's stimulus bill was the initial push, obviously with underwhelming results at least so far. It seemingly has done more to keep the already-employed working rather than to create a lot of new paid employees. By now, he's searching for ways, with and without the help of Congress, to push business and industry to hire more people. Will Congress help? In part, the answer to that question will depend upon whether the Republicans demand tax cuts as the first line of action. If they don't, then we might actually see some bipartisan efforts to craft some jobs bills. Glory be!

**Peter Navarro**, professor of Economics and Public Policy at U.C. Irvine, said:

The best "jobs program" is trade reform with China. China's growing at 10% while the U.S. unemployment rate is at 10%. They've stolen millions of American jobs manipulating their currency, engaging in massive illegal export subsidies and stealing our technology. It's time for Congress to wake up on this.

**Larry J. Sabato**, director of the Center for Politics at the University of

Virginia, said:

The government influences but does not run a \$14 trillion economy. All the Obama administration can do substantively is to make sure that the large pot of remaining stimulus money is spent wisely on projects with maximum jobs impact. In image terms, though, Obama needs to take a lesson from Bill Clinton, whose power-drained presidency in 1995 began to focus on micro-issues and bite-sized ideas. The cumulative impression from the day-after-day Clinton events was of a Chief Executive who was trying his best, in as many ways possible, to get the country moving again. In its own good time, the economy turned up, and Clinton basked in the glow.

**John F. McManus**, president of The John Birch Society

If he truly meant to improve our nation's dismal economic situation, President Obama would propose abolishing several unconstitutional federal departments, such as education, energy, housing, and more. He would also cancel all foreign aid immediately. But I don't expect this type strategy from him or from any other person committed to socializing America.

Instead, watch for Mr. Obama to offer proposals for different kinds of taxation, supposed (not real or not substantial) cutbacks in several areas, and lots of essentially meaningless talk. Our nation is heading toward a financial cataclysm. If the plunge toward bankruptcy isn't stopped, watch for the Obama team to propose a world currency that will mean a huge leap toward world government. It remains to be seen whether there's enough muscle among the GOP and the few fiscally conscious Democrats in Congress to do what's right for America. Too many in Congress have been persuaded that their role is to satisfy the people's wants (and get reelected) rather than protect the people's rights. This has to change if the USA is to survive.

**Dean Baker**, co-director of the [Center for Economic and Policy Research](#), said:

President Obama has most of the obvious channels for boosting growth closed off to him for political reasons. The simplest route for boosting the economy is through further stimulus. He knew that the package he originally proposed was too small even given the economic projections that he had at the time. But, Obama ended up getting much less than he asked for and the recession turned out to be much deeper than the administration's initial forecasts.

In principle, he should be able to ask for more spending, but he has lost the debate on the budget to the deficit hawks. They are whining about the deficit in the middle of the worst downturn since the Great Depression, just like the budget hawks who persuaded Roosevelt to try to balance the budget in 1937. Given the shortfall in GDP, the economy could usefully use a further dose of stimulus in the range \$1.2 trillion over the next two years. President Obama would be lucky to get one-fifth of this amount in the current political environment.

The second route to boost the economy would be with a more expansionary Federal Reserve Board policy. The Fed could commit itself to a 3-4 percent annual inflation target over the next decade. This would reduce the real interest rate and also reduce the huge debt burden carried by homeowners. However, Obama has never put forward this case publicly and is pushing for the reappointment of Ben Bernanke as Fed chairman, a person who is clearly not committed to this policy.

Third, Obama could push for a lower valued dollar, especially against the Chinese yuan. This would make U.S. produced goods more competitive internationally, thereby boosting net exports. However, Secretary Geithner has gone in the other direction, affirming the administration's commitment to a strong dollar. Also, it does not appear that lowering the value of the dollar has been a top priority in discussions with China, so this channel is

closed as well.

President Obama could try to free up money being spent by underwater homeowners in mortgage payments by encouraging these people to walk away from their mortgages, but this would reverse the administration's current policy of giving them incentives to stay in their homes and keep paying the banks.

If there is no way to boost the economy, we can at least deal with the downturn better. In Germany and the Netherlands, the governments have adopted an aggressive policy of work-sharing. This involves paying firms for keeping people working at shorter hours rather than laying them off and having the government pay their unemployment benefits. The U.S. can adopt a similar approach, building off the work-share programs that already exist in 17 states. It can also go further and adopt a tax credit for work-sharing, as proposed by Representative Conyers.

This is likely the most attractive path that is still politically feasible. If we go the work-sharing route we can get through this downturn with shorter workweeks and longer vacations. This is a much better alternative to double-digit unemployment.

**Justin Raimondo**, editorial director of [Antiwar.com](http://Antiwar.com), said:

The right strategy -- which is antithetical to the President's views and program -- would be to stop printing all that money, stop debasing the dollar, and stop handing out inflated dollars to his friends at Goldman-Sachs, Bank of America, and all the rest. Stop "stimulating" us to death, get government out of the way, and put an end to this pernicious form of "crony capitalism" in which one's friends in Washington count for everything.

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BY **KAREN** on 01/25/2010 at 11:35

The question with this president should be:What should Obama stop doing to help this economy? So far I can only see 'negative' impact from all of his 'fiddling'!

BY **AZJIM** on 01/25/2010 at 11:41

Obama should not do anytd iting. Why does the government feel like they should ALWAYS be doing something. They should back off, get smaller and stop spending. The economy will take care of itself eventually, and it would be nice if the folks inside the beltway would shut up for 12 months.

BY **DAN** on 01/25/2010 at 12:12

What should the president do to help the economy?Regardless of what the academic pinheads say, here's what he should do - RESIGN!!!! and take the other losers with you: pelosi/reid/f-f-f-frank/doddPLEASE!!!

BY **JOE SCHMOE** on 01/25/2010 at 12:39

To help the economy and get more Americans back to work, Obama must order Janet Napolitano to restart the workplace raids to start removing the 8 million illegal foreign workers from their illegal jobs. Unemployed working class Americans need the jobs that have been stolen by illegal aliens.

BY **PROUD INDEPENDENT** on 01/25/2010 at 12:51

Stop so-called 'Free Trade' agreements, which are neither fair nor free, place a moratorium