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As forecast worsens, Obama raises goal

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Washington: Faced with worsening forecasts for the economy, President-elect Barack Obama is expanding his economic recovery plan and will seek to create 3 million jobs in the next two years, up from a goal of 2.5 million jobs set just last month, several advisers to Obama said over the weekend.

Even Obama's more ambitious goal would not fully offset as many as 4 million jobs that some economists are projecting might be lost in the coming year, according to the information he received from advisers in the past week. That job loss would be double the total this year and could push the U.S. unemployment rate past 9 percent if nothing is done.

The new jobs target was set after a meeting Tuesday in which Christina Romer, who is Obama's choice to lead his Council of Economic Advisers, presented information about previous recessions to establish that the current downturn was likely to be "more severe than anything we've experienced in the past half-century," according to an Obama official familiar with the meeting. Officials said they were working to craft a plan that was big enough to stimulate the economy but not so big that it would provoke major opposition in Congress.

Obama's advisers had been projecting that the multifaceted economic plan would cost \$675 billion to \$775 billion. It would most likely grow as it made its way through Congress, although Obama has secured Democratic leaders' agreement to ban add-on spending for pet projects.

The message from Obama was that "there was not going to be any spending money for the sake of spending money," said Lawrence Summers, who will be the senior economic adviser in the White House.

Mark Zandi, chief economist of Moody's Economy.com, said in an interview that he would probably soon raise his own recommendation of a \$600 billion stimulus.

"My advice is, err on the side of too big a package rather than too little," said Zandi, who has lately advised Democratic leaders in Congress and was an adviser to the presidential campaign of Obama's Republican opponent, John McCain.

Besides new spending, the Obama plan would provide tax relief for low-wage and middle-income workers of roughly \$150 billion, Democrats familiar with the proposal said. The government would probably reduce the withholding of income or payroll taxes so that most workers received larger paychecks as soon as possible in 2009, an Obama adviser said.

The sorts of jobs Obama would propose creating involve construction work on roads, mass transit projects, weatherization of government buildings and installation of information technology in medical facilities, among others.

The outlines for Obama's plan, which he is developing in consultation with members of Congress, including some Republicans, were mostly settled Tuesday when he met for four hours with economic and policy advisers. Obama and his family left Saturday for a two-week vacation in Hawaii, but the advisers will take his guidance - including instructions to be "bolder," according to one - and complete a draft in time for his return Jan. 2.

The new Congress convenes Jan. 6. The House and Senate, with larger Democratic majorities, will probably work to pass a bill for Obama to sign shortly after his inauguration Jan. 20.

The Obama blueprint covers five main areas of spending and tax breaks: health, education,

infrastructure, energy, and support for the poor and the unemployed.

Summers said the president-elect set short- and long-term themes in choosing the plan's components: "Creating jobs for people who need them, and doing things that need to be done to lay the foundation for an economy that works for middle-class families."

At the meeting Tuesday, Romer also laid out recommendations from private-sector analysts and liberal to conservative economists for a government stimulus that ranged from \$800 billion to \$1.3 trillion over two years. Those consulted included Martin Feldstein, a conservative economist and longtime Republican presidential adviser, whose estimate is at the low end, and Lawrence Lindsey, a Federal Reserve governor and economist under President George W. Bush, who has recommended up to \$1 trillion.

Many decisions about the details have not been made, or are tentative pending consultations with Congress.

Several hundred billion dollars could go to states and cities to finance public works and subsidize their health and education programs so that local governments do not have to raise taxes and cut essential programs, steps that would be counterproductive economically.

The Obama team has a list of \$136 billion in infrastructure projects from the National Governors Association that consists mostly of transit construction but also includes port expansions and renewable energy programs.

For education, besides money to build and renovate schools, Obama will call to train more teachers, expand early childhood education and provide more college tuition aid.

Federal funds to local governments would come with a "use it or lose it" clause under Obama's plans, advisers say. Obama will also propose to direct money to public and private partnerships for major projects, like a national energy grid intended to harness alternative energy sources.

For those "most vulnerable" because of the recession, as the Obama team describes the needy and jobless population, the president-elect will propose expanding the length of unemployment compensation, as well as food aid and additional support.

With millions more Americans losing their health care coverage, either through job losses or because they can no longer afford to pay for insurance, Obama will propose major new spending to subsidize states' share of Medicaid and their children's health programs, and to expand health care coverage for those who lose insurance from their employers.

Obama plans a down payment on his campaign promise to help pay for hospitals and other medical providers to computerize their health records to save billions of dollars in paperwork and administrative costs. He also might propose subsidies to train more nurses, both to create jobs now and address a looming shortage in the health professions.

The chief difficulty in the Obama advisers' deliberations from an economic standpoint, someone familiar with their work said, is finding enough projects to finance that would provide an immediate jolt to the economy by getting money into Americans' hands so they will spend it and increase demand for more products and services.

Economists generally agree that aid to the jobless and some infrastructure spending is quickly stimulative. But tax rebates for the middle class, like those sent out earlier this year, would probably be used again on debts rather than new spending, economists say.

Obama has spoken in recent days with the two fellow Democrats who lead Congress: Harry Reid, the majority leader of the Senate, and Nancy Pelosi, speaker of the House of Representatives. Late last week, Reid's office sent an e-mail message to other senators saying that in conversations with the Obama transition team, "we have communicated our willingness to work within these parameters as closely as possible and urge all offices to do the same."

Correction:

Notes:



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