



November 30, 2009

Debate on Creating Jobs, Without Raising Deficit

By [JACKIE CALMES](#)

WASHINGTON — As Democrats renew their push to create jobs, they are at odds over the timing, cost and scope of additional measures, with the White House’s concern about high budget deficits pitted against the eagerness of many in Congress to spur hiring before next year’s elections.

After months in which his focus has been on a health care overhaul and foreign policy issues, [President Obama](#) will pivot later this week to the economy, convening a White House forum on Thursday to discuss ideas for job creation and then traveling to Allentown, Pa., for his first stop on a “Main Street Tour.”

Congressional Democrats return from a holiday break intent on packaging new proposals for tax incentives and construction projects to promote employment, with the House, where every member is up for re-election next year, on a much faster track than the Senate or the White House.

While the political rationale for additional government action is clear, it is an open question whether it would have any substantial economic effect. Still, the impetus for the activity will be underscored on Friday when the government releases figures for job losses and the unemployment rate for November.

With joblessness, which stood at 10.2 percent in October, likely to remain high through 2010 even as the economy recovers, the stage is set for what could be a yearlong tussle between deficit reduction and government incentives for job creation, and between the politics of Wall Street and Main Street.

“There’s sort of an anomaly here — people want us to do stuff on jobs but they don’t want to see a lot of government spending,” said Senator [Charles E. Schumer](#), Democrat of New York.

At a minimum, Democrats want to extend for a year the emergency benefits for the long-term unemployed that

were part of last winter's \$787 billion [stimulus package](#) and are due to expire at the end of December. While Congress recently extended federal unemployment benefits for up to 99 weeks for those who cannot find jobs, without further action such assistance will not be available to those who only recently lost their jobs or who will in the coming year.

The question is whether relief for the unemployed will become a vehicle for proposals to encourage hiring.

While details are still to be worked out, that is the intent of House leaders. They say the House will pass a bill this month that could include a tax credit for new hires, added incentives for credit to small businesses and at least a short-term extension of transportation construction spending.

But Senate Democrats say they cannot pass any major stimulus bill soon because debate on the pending health care bill will take weeks. Senators [Richard J. Durbin](#) of Illinois and [Byron L. Dorgan](#) of North Dakota have been given the job of packaging jobs-related ideas into legislation this month with an eye to debate early next year.

Senator [Jack Reed](#), Democrat of Rhode Island, has proposed having the government share some employers' labor costs temporarily so businesses avoid layoffs. Based on programs already under way in 17 states, the plan would cost an estimated \$600 million. Another proposal would give businesses a tax credit equal to a percentage of any expansion in their payrolls.

White House officials say they remain open to a variety of ideas. But they have also signaled that Mr. Obama's willingness to back any expensive new government programs is limited. One official said Mr. Obama's announcement of the jobs forum was "carefully crafted" to emphasize that generally the "government has done what it can. It's time to hear from the private sector about what it's going to do."

Administration officials have told Democrats that the president's [State of the Union address](#) in January and his subsequent budget for the 2011 fiscal year will focus on long-range plans to begin bringing down the deficit.

As the administration and many economists point out, nearly three-quarters of the \$787 billion stimulus package remains in the pipeline and thousands of job-creating projects are just getting under way. Yet Democrats in Congress are under pressure to do more from liberal economists, constituents and labor unions. The [Congressional Black Caucus](#) recently blocked action on the administration's initiative in the House for

financial industry regulation to force attention to its demands for more action on jobs, including expanded credit to inner-city businesses.

The liberal [Economic Policy Institute](#) and the [A.F.L.-C.I.O.](#) have released similar five-point plans for about \$400 billion in additional unemployment assistance, infrastructure spending, aid to state and local governments to avoid layoffs of teachers and other employees, and a public employment initiative for short-term community jobs, like crews to clean up areas newly blighted by foreclosures. [Richard Trumka](#), president of the A.F.L.-C.I.O., said he would raise the ideas at the jobs summit.

Both groups would offset the proposed costs elsewhere in the [federal budget](#). While stimulus measures usually are not “paid for” by spending cuts or tax increases since that would defeat the purpose of pumping money into the economy, the fact that even liberal groups now are suggesting ways to avoid adding to the deficit shows widespread acceptance of the political if not economic danger of adding to the ever-growing national debt.

But there are differences over how to pay for any new spending and business tax breaks. Liberal and labor groups propose a tax on financial transactions to raise money and discourage speculators, and they want to tap unspent financial bailout money from the [Troubled Asset Relief Program](#), the government’s main bailout fund.

Both the House speaker, [Nancy Pelosi](#), and the Obama administration, led by [Treasury](#) Secretary [Timothy F. Geithner](#), are opposing a financial transactions tax, arguing that it could put American businesses at a competitive disadvantage. And the administration wants to apply any money left in the bailout fund to reducing the deficit.

Congressional Republicans are likely to oppose new programs, aides say. “Families are asking, ‘Where are the jobs?’ but all they are getting from out-of-touch Washington Democrats is more spending and more debt piled on our kids and grandkids,” Representative [John A. Boehner](#) of Ohio, the House Republican leader, wrote on a blog recently.

Democrats said they would do a better job of explaining the effectiveness of government programs in helping the economy.

“Before we talk about new jobs initiatives, I think we need to do a better job of letting people know that we’ve gone from a total freefall to some stability in a very short period of time,” said Representative Chris Van Hollen of Maryland, who leads the House Democrats’ campaign committee.

[Copyright 2009 The New York Times Company](#)

[Privacy Policy](#)[Terms of Service](#)[Search](#)[Corrections](#)[RSS](#)[First Look](#)[Help](#)[Contact Us](#)[Work for Us](#)[Site Map](#)