



## President Obama's Jobs Initiative: Will It Work? (I)

*I. M. Destler says that at least some of the Obama jobs program is likely to be enacted, but the impact on the economy is likely to be modest.*

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Steve Weisman: I.M. Destler, our colleague at the Peterson Institute from the University of Maryland, has been studying the messy process of making economic policy and legislation for many years. We're talking the day after President Obama exhorted Congress to come back to the well and try again on an economic stimulus program. This is Steve Weisman. What are the prospects for Congress cooperating and producing something quickly?

Mac Destler: I think there are prospects of the Congress cooperating in part on this proposal that the President has made -- not necessarily quickly, but maybe during this session of Congress.

Steve Weisman: Before the end of 2011?

Mac Destler: Maybe before the end of 2011. I think the President achieved two things, in the Washington parlance of exceeding expectations.

Steve Weisman: How so?

Mac Destler: I think first of all, he exceeded expectations with the vigor and forcefulness of his presentation. People had sensed that he had gotten away from aggressive, forceful presentational style. I think he succeeded with that. And secondly, he exceeded expectations in that the package is substantially bigger than people expected or that advance reports led one to expect.

Steve Weisman: It seems to have the same three basic elements that the stimulus of 2009 had: tax cuts; payments to the states to help them deal with their cuts in vital employees; and infrastructure. Which is going to be appealing to the opposition, if any?

Mac Destler: Probably the payroll tax cuts will be thing that is most appealing, particularly because the administration both increased the amount and added a cut on the employer side. As you know, with a payroll tax cut, payroll taxes are paid equally by employers and by workers. At least that's the traditional structure. The President proposes to cut in half both the employer and the worker side, so that will probably have significant appeal. It is not necessarily the most stimulative of the proposals, in terms of what economists think will be the actual economic effect, however. The most stimulative proposal is probably unemployment insurance, because the unemployed are likely to spend any new money they get. That is more problematic, so far as Republican support is concerned.

Steve Weisman: What about tying unemployment insurance to job training, as the administration has suggested? The unions have been resisting that.

Mac Destler: I think that, if you look at bipartisan support, that is something clearly some Republicans like. Apparently it has been tried in some states. But I think it's one of these ideas that could have some effect in individual cases. It's a little hard to see how you can ramp this up enough to have significant affect on the economy as a whole within the next year or two.

Steve Weisman: Mac, put on your historian's cap. This has been a divisive year in Washington. But the debate about the role of government in the economy has been going on since Thomas Jefferson and Alexander Hamilton. They would not be surprised if they were here today.

Mac Destler: They would not. It's interesting because I think there are a lot of liberals, including like Paul Krugman, who are very frustrated because they thought the debate was won intellectually after the Great Depression, with the notion that government had to intervene forcefully in a major downturn. Their criticism of the Great Depression was not that Roosevelt intervened, but that he didn't do it enough at key points. That is what I learned when I was in college in the 1950s, 1960s, in terms of the lessons of government intervention. I think now it turns out that these issues are up for contestation once again. It a problem if you don't have broad substantive consensus on what to do, and you have divided government. It is harder obviously to get concerted action. When President Obama said these are proposals that Republicans as well as Democrats have supported, that is true, particularly if you use the past tense. But the Republicans are less enthusiastic about unemployment insurance, perhaps, than they used to be. They're sort of skeptical about some of the other proposals.

Steve Weisman: And trade adjustment assistance.

Mac Destler: Which is an area that I worked on, of course. At least some Republicans have been resistant to continuing trade adjustment assistance, and this has become tied up with the question of the President submitting the three free trade agreements with Colombia, Korea and Panama to Congress.

Steve Weisman: It seems though we just go in cycles. Obama begat the Tea Party, and I guess we have to see till after the presidential election what begets from the Tea Party....

Mac Destler: Yes. What is worrisome about this particular political period, it seems to me, is the high degree of negativism, lack of trust, really, of both parties by the public. Therefore this really gives an advantage to the outs, because the patience for the belief in the performance of the people in government is very low. The belief in what government can accomplish is not very high. Therefore we've had three consecutive wave elections – in '06 and '08, it went the Democrats' way; in '10 it went the Republicans' way. Now we don't know what's going to happen in '12. Obviously there are arguments for either direction. Republicans overreaching or reaction to that? Or a vote of confidence on a President at a time when unemployment is above 8%, which is not promising for the Democrats.

Steve Weisman: We've discussed the administration, like so many of its predecessors, refashioning the way its National Security Council, and National Economic Council run. You've studied that in particular, and written a book about it recently. How do you judge how policy was made in this phase of the administration?

Mac Destler: For this particular decision?

Steve Weisman: Yes.

Mac Destler: I think it was fairly positive. What is interesting about this administration is that the President really is to a significant degree his own process manager. He asked for the proposals. He determines who is going to be in the room. He pulls things together. It's true in national security as well as economic policy. It was good that he replaced his national security advisor, because Tom Donilon, the present incumbent is in sync with the President in terms of his style of operating. Donilon therefore can be supportive in a way that the first appointee, General Jim Jones, could not. And on the economic side, the choices have not especially been people, to put it mildly, who were chosen for managing the process...

Steve Weisman: You have somebody in there who replaced Summers ...

Mac Destler: Yes.

Steve Weisman: An experienced process guy.

Mac Destler: He's an experienced process guy, and pretty adept at doing the process on an individual basis. I mean, [economic advisor] Gene Sperling is very good at following issues and brainstorming and negotiating and things like this. I don't think he's known as somebody who would manage a process more broadly in the Bob Rubin sense of the early Clinton administration.

Steve Weisman: You mean philosophically?

Mac Destler: No, I don't mean philosophically. Reaching out, being sure everybody is engaged, being sure that everybody feels that they were listened to, formulating the issues for the President, subordinating his own personal views to that process, that sort of thing.

Steve Weisman: Interesting. Thanks, Mac.

Mac Destler: Thank you, a pleasure.

