

# Obama to Boost Stimulus With Funds for Roads, Energy (Update 1)

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Nov. 25 (Bloomberg) -- President-elect Barack Obama, encouraged by congressional Democrats, will propose early next year an economic-stimulus package three times larger than one he was discussing only weeks ago, with the main focus on infrastructure, aides and lawmakers said.

The package, aimed at ending the worst U.S. economic slump in at least a quarter-century, probably won't be submitted until January, giving up any chance of passing a stimulus plan during a lame-duck session of Congress next month.

An infusion of as much as \$700 billion is warranted, according to Senator Dick Durbin of Illinois, the No. 2 ranking Democrat in the Senate and Obama's closest ally in Congress. The plan would create jobs and boost sales at companies including Caterpillar Inc., the largest maker of construction equipment, and engineering firm Fluor Corp.

"You better stimulate with a number that will create measurable economic growth," Durbin said in an interview.

Obama, who said during a press conference yesterday that he had to deal with an "economic crisis of historic proportions," declined to give a range for the new package he favors. Still, he made Durbin's point that it will have to be big enough to restore confidence.

The spending will be "of a size and scope that is necessary to get this economy back on track" and "significant enough that it really gives a jolt to the economy," he said.

Obama will hold another press conference today to discuss overhauling

government spending, during which he will announce Peter Orszag, head of the Congressional Budget Office, as his budget director, according to a Democratic aide.

### Fueling Jobs, Growth

During the presidential campaign, Obama, 47, proposed a \$175 billion plan with tax-rebate checks for consumers as well as spending on school repairs, roads and bridges, aid to states, and tax credits for job creation.

Since the Nov. 4 election, the government reported the jobless rate climbed to 6.5 percent in October, the highest since 1994, with retail sales and consumer prices plunging the most on record. Federal Reserve policy makers now expect the economy to contract through the middle of 2009, with analysts forecasting the worst recession since at least the early 1980s.

Aides to Obama say Lawrence Summers, named yesterday as director of the National Economic Council, favors spending as much as possible to spark growth.

Many Democrats say much of the money should be used to jumpstart federal infrastructure projects because that would create jobs and fuel economic growth.

### 'The Big Number'

Laura Tyson, an economic adviser to Obama, said a program may be used to finance highway projects, alternative-energy initiatives, tax cuts, education programs and aid to state governments struggling to balance their budgets.

Tyson said the package could total as much as \$600 billion over the next two years as the administration seeks to offset a decline in consumer spending. She said the size of the proposed stimulus has grown as the economic outlook has worsened.

"If the economy is faltering at a faster pace than expected, which does seem to be the case right now, then you want to go for the big number -- you want to go for the \$600 billion range," Tyson, who previously served as President Bill Clinton's top economic adviser, said in an interview with Bloomberg Television.

Caterpillar, based in Peoria, Illinois, has said the U.S. needs as much as \$700 billion in new roads, bridges, airports and ports to remain competitive with countries such as China. Public projects account for about 30 percent of total construction spending in the U.S., and may help blunt declines in residential building, Ann Duignan, an analyst with JPMorgan Chase & Co. in New York, wrote in a note yesterday.

### Rebates Ineffective

Terex Corp., the third-largest maker of construction machinery, also stands to benefit, while demand for raw materials may lift companies that manufacture the mining equipment such as Joy Global Inc. and Bucyrus International Inc. Fluor, the largest U.S. publicly-traded engineering company, and Jacobs Engineering Group may win contracts under the stimulus, analysts have said.

The plan's components are likely to remain essentially the same as the \$175 billion package Obama initially advocated, said a person familiar with the presidential-transition team. Spending focused on "shovel-ready" infrastructure would be ratcheted up because the Obama team believes it has great job-creating potential, the person said.

A \$168 billion package passed in February emphasized tax rebates. Democratic economists say that, because consumers tended to save a large chunk of that money, rebates aren't as effective in stimulating economic activity and creating jobs as is direct spending on infrastructure projects.

#### 'Runaway Spending'

The Obama plan, which the president-elect said will be his economic team's first priority, will be focused on creating and preserving 2.5 million jobs. "If we do not act swiftly and act boldly, most experts now believe we could lose millions of jobs next year," Obama said yesterday.

He stressed the urgency of passing legislation quickly, adding that "we do not have a minute to waste." Yet it is unlikely Congress will produce a stimulus bill in December, a person inside his camp said.

Some Republicans in Congress aren't enthused.

"Growing Washington with runaway spending is not change, it's more of the same," Senator Jim DeMint, a South Carolina Republican, said in a written statement. "If federal spending actually created economic growth, our economy would be booming right now. We are trillions of dollars in debt and Obama's massive new spending program threatens to send our nation over a fiscal cliff, leading to higher taxes and fewer jobs."

DeMint, a member of the Joint Economic Committee, said "it's time to stop the failed bailouts and end the wasteful spending" and called for more tax cuts.

#### Rare Consensus

President George W. Bush has expressed opposition to any stimulus bill heavy on government spending, preferring tax cuts and rebates.

Obama voiced optimism over the prospects for a stimulus during yesterday's

press briefing, painting it as a measure with broad support.

“We have a consensus, which is pretty rare, between conservative economists and liberal economists, that we need a big stimulus package,” he said. “Across the board, people believe that this stimulus is critical.”

He said the plan would address both near-term concerns and far-reaching ones by investing in clean energy projects and education in addition to projects designed to create jobs immediately.

“Not only do I want this stimulus package to deal with the immediate crisis, I want it also to lay the groundwork for long-term, sustained economic growth,” Obama said.

Durbin said that in addition to more infrastructure spending, he would favor more money for the Amtrak train system as “a national priority.”

That may not be a hard sell in an Obama administration. Vice President-elect Joe Biden commuted almost daily from Washington to Wilmington, Delaware, on Amtrak throughout his years in the Senate.

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