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President's Jobs Plan Falls Short, Chamber Officials Say

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The jobs plan that President Obama outlined to a joint session of Congress on Thursday evening falls short of what's needed to trigger more robust economic growth that will bring down the nation's stubbornly high unemployment rate, U.S. Chamber officials say.



President Obama unveils a \$447 billion jobs plan before a joint session of Congress. White House photo by Chuck Kennedy.

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"A workable jobs plan must genuinely reduce regulatory uncertainty, unshackle promising American industries, and not be overly reliant on government spending and subsidies," says Chamber President and CEO Tom Donohue.

The president's \$447 billion proposal, The American Jobs Act, includes provisions the administration believes will encourage small businesses to expand and hire. It would cut in half the payroll tax for most businesses and extend a complete payroll holiday for firms that add new workers or increase wages. In an attempt to reduce

the long-term unemployment many out-of-work Americans are experiencing, the president proposes to give a \$4,000 tax credit to companies that hire anyone who has spent more than six months looking for a job.

The president's proposed tax incentives, however, would have only a limited and temporary positive impact, according to Chamber Chief Economist Marty Regalia. "If you are trying to stimulate the economy and create jobs, there are better ways to do it, starting with a complete restructuring of the tax code for individuals and businesses," he says. "Everyone knows it needs to be reformed. Washington needs to stop tinkering around the edges and move beyond temporary tax cuts and get to the heart of the matter."

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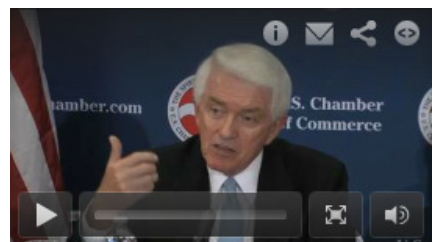
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Regalia also notes that the payroll tax cuts and other elements of the president's plan have already been tried, with little or no effect. "The president is rolling out more of the same, and with our unemployment rate stuck at higher than 9%, more of the same isn't good enough."

In his speech, the president hinted that he will target successful small businesses for future tax hikes by raising individual income tax rates on wealthier Americans. Many small business owners who operate pass-through entities such as S-Corps and LLCs pay taxes through the individual income tax code.

"We need a tax code where everyone gets a fair shake, and everybody pays their fair share," the president said. "And I believe the vast majority of wealthy Americans and CEOs are willing to do just that, if it helps the economy grow and gets our fiscal house in order."

The president also signaled out the oil and gas industry for punitive tax hikes. "It is bewildering why the President would want to raise taxes on an industry that contributes \$86 million every day to federal coffers and that, if allowed to invest more in domestic production, would generate over 500,000 new jobs for our country," says Karen Harbert, president of the U.S. Chamber Institute for 21st Century Energy. "This is yet another signal that this Administration wants to pick and choose which jobs and which industries will flourish instead of unleashing America's full potential."

Other elements of the president's plan received a more positive reception from the Chamber and the business community. A plan to boost investment in infrastructure projects and create a new infrastructure bank is a good use of taxpayer dollars, according to Chamber officials. However, one-time, stimulus-style funding is not a sufficient substitute for a sustained investment stream, Chamber officials noted. "The first priority should be maintaining investment levels in current infrastructure programs," says Janet Kavinoky, vice president of Americans for Transportation Mobility, a Chamber-led coalition. "Without sustained funding, not only will net new jobs not be created, but more jobs will be lost."

President Obama's assurances to Congress and the American public that "everything in this bill will be paid for," was met with skepticism by the Chamber's Regalia. "Nothing in this bill pays for anything," he says. "Congress would be directed to find spending cuts or tax increases to pay for this bill after the money is spent."

To offset the \$477 billion cost of his plan, the president said that he would soon unveil a new deficit reduction package, and he encouraged the congressional debt supercommittee to find savings beyond its mandate of \$1.5 trillion over ten years.

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