

December 7, 2008

## Obama Pledges Public Works on a Vast Scale

By [PETER BAKER](#) and [JOHN M. BRODER](#)

WASHINGTON — President-elect [Barack Obama](#) promised Saturday to create the largest public works construction program since the inception of the interstate highway system a half century ago as he seeks to put together a plan to resuscitate the reeling economy.

With jobs evaporating and the recession deepening, Mr. Obama began highlighting elements of the economic recovery program he is trying to fashion with Congressional leaders in hopes of being able to enact it shortly after being sworn in on Jan. 20. His address on Saturday followed the report on Friday indicating that the country lost 533,000 jobs in November alone, bringing the total number of jobs lost over the past year to nearly 2 million.

Mr. Obama's remarks showcased his ambition to expand the definition of traditional work programs for the middle class, like infrastructure projects to repair roads and bridges, to include new-era jobs in technology and so-called green jobs that reduce energy use and [global warming](#) emissions. "We need action — and action now," Mr. Obama said in an address broadcast Saturday morning on radio and YouTube.

Mr. Obama's plan, if enacted, would be in part a government-directed industrial policy, with lawmakers and administration officials picking winners and losers among private projects and raining large amounts of taxpayer money on them.

It would cover a range of programs to expand broadband Internet access, to make government buildings more energy efficient, to improve information technology at hospitals and doctors' offices, and to upgrade computers in schools.

"It is unacceptable that the United States ranks 15th in the world in broadband adoption," Mr. Obama said. "Here, in the country that invented the Internet, every child should have the chance to get online."

President Bush and many conservative economists have opposed such large-scale government intervention in the economy because it supports enterprises that might not survive in a free market. That is the crux of the argument against a government [bailout](#) of the auto industry.

But Mr. Obama proposes to charge ahead, asserting that extensive government support is needed to preserve and create jobs while building the latticework of a 21st century economy.

Although Mr. Obama put no price tag on his plan, he said he would invest record amounts of money in the vast infrastructure program, which also includes work on schools, sewer systems, mass transit, electrical grids, dams and other public utilities. The green jobs would include various categories, including jobs dedicated to creating alternative fuels, windmills and solar panels; building energy efficient appliances, or

installing fuel-efficient heating or cooling systems.

Paul Bledsoe, a former Clinton White House energy adviser, said that Mr. Obama had now settled whatever debate there was in his [transition team](#) and among Democrats in Congress over how to lift the economy in the short term and over a longer horizon.

“It’s now clear that Obama intends to stimulate the economy through large direct government spending on infrastructure projects as well as through business and individual tax cuts,” said Mr. Bledsoe, now an official of the National Commission on Energy Policy, a nonpartisan research group in Washington. “He is advocating things like guaranteeing every American a college education, wiring the entire country for Internet, putting in a smart electric grid. If he can do it, these will be major systemic advantages for the United States in the competitive global economy.”

Although Mr. Obama is weeks away from taking office, Friday’s grim jobs report heightened pressure on him to assert leadership before his inauguration.

Mr. Obama and his team are working with Congressional leaders to devise a spending package that some lawmakers suggest could total \$400 billion to \$700 billion. Some analysts forecast even higher costs. Mr. Obama has said he would direct his team to come up with a plan to save or create 2.5 million jobs in the first two years of his administration.

A big part of that will be public works spending. “We will create millions of jobs by making the single largest new investment in our national infrastructure since the creation of the federal highway system in the 1950s,” Mr. Obama said. He did not estimate how much he would devote to that purpose, but when he met with the nation’s governors last week, they said the states had \$136 billion worth of road, bridge, water and other projects ready to go as soon as money became available. They estimated that each billion dollars spent would create up to 40,000 jobs.

Local and regional transit systems have \$8 billion more in projects that could begin immediately, like buying hybrid buses and expanding light rail systems, creating thousands of jobs.

“He hasn’t given us any commitment, but we are fairly certain it’s going to be large,” Gov. [Edward G. Rendell](#) of Pennsylvania, a Democrat and chairman of the [National Governors Association](#), said in an interview Saturday. “I think he understands if you’re trying to reverse the economy and turn it around, this is not the time to do it on the cheap. This is not the time to do it in small doses.”

Mr. Bush and other Republicans have resisted such an approach in part out of concern for the already soaring [federal budget](#) deficit, which could easily hit \$1 trillion this year. Borrowing hundreds of billions of dollars today to try to fix the economy, they argue, will leave a huge bill for the next generation.

Conservative economists have also long derided public works spending as a poor response to tough economic times, saying it has not been a reliable catalyst for short-term growth and instead is more about politicians gaining points with constituents.

Alan D. Viard, an economist at the [American Enterprise Institute](#), told the House Ways and Means

Committee recently that public works spending should not be authorized out of the “illusory hope of job gains or economic stabilization.”

“If more money is spent on infrastructure, more workers will be employed in that sector,” Mr. Viard added. “In the long run, however, an increase in infrastructure spending requires a reduction in public or private spending for other goods and services. As a result, fewer workers are employed in other sectors of the economy.”

Mr. Obama implicitly tried to counter such arguments by invoking the federal interstate highway program, seen as one of the most successful public works efforts in American history.

President [Dwight D. Eisenhower](#) signed the Federal Aid Highway Act in 1956, ultimately resulting in the construction of 42,795 miles of roads. In 1991, the government concluded that the total cost came to \$128.9 billion, with the federal government paying \$114.3 billion and the states picking up the rest.

Mr. Obama also responded to criticism of waste and inefficiency in such programs by promising new spending rules, like a requirement that states act quickly to invest in roads and bridges or sacrifice federal money.

“We’ll measure progress by the reforms we make,” Mr. Obama said, “and the results we achieve by the jobs we create, by the energy we save, by whether America is more competitive in the world.”

The green jobs portion of the economic package could run as high as \$100 billion over two years, according to an aide familiar with the discussions.

A blueprint for such spending can be found in a study financed by the Political Economy Research Institute at the [University of Massachusetts](#) and the Center for American Progress, a Washington research organization founded by [John D. Podesta](#), who is a co-chairman of Mr. Obama’s transition team.

Daniel J. Weiss, an environmental analyst at Mr. Podesta’s center, said Washington should invest more money in existing programs that create work while cutting energy use, like home weatherization programs that have been chronically underfinanced.

Copyright 2008 The New York Times Company

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



December 7, 2008

## DWS chairman optimistic about U.S. turnaround

*MARK JEWELL*

*AP Personal Finance Writer*

BOSTON — Amid so much bleak economic news, optimism is hard to find these days.

But it's been gushing of late from Bob Froehlich, vice chairman and chief investments strategist with DWS Investments, which manages more than \$115 billion in more than 135 mutual funds and insurance portfolios, and is the U.S. retail brand of Deutsche Bank's global asset management division. Take a look at the bullish titles of investment commentaries Froehlich wrote as markets swooned early this fall: "It is Not 1929," "This Too Shall Pass," and "Buy American."

In a telephone interview with The Associated Press, Froehlich explained why he expects the Dow Jones industrial average will approach 12,500 points by the end of next year. That's the same territory the Dow hovered in from January through May — before things got so bad lately — but below the Dow's record closing peak of 14,164 on Oct. 9, 2007.

Froehlich, based in Chicago, argues nearly all the economic indicators point toward a U.S. market recovery next year:

question: Given the turbulent market we've had recently, what's your outlook for 2009?

answer: I think the Dow is going to have a very good year because I believe energy prices are going to stay low, and I believe we're going to get a massive stimulus plan in place. I would see the Dow approaching 12,500 by the end of next year.

Within that, what I think is going to be the biggest upside surprise on a sector basis is what happens in financial services. It's basically a question of whatever tends to do the worst in one year tends to turn around within the next year or two.

I think this low-interest rate environment is going to help financial services, along with the massive consolidation we've seen within the industry. The industry's balance sheets look stronger because these acquisitions and consolidations have been made. And the market shares of these companies are bigger.

Hasn't much of the recent market decline reflected fundamentals, such as lower earnings?

I think it's gone beyond fundamentals. We've had an economic slowdown ... But if you look at earnings except for the financial services industry, you'd see that earnings haven't collapsed. They've slowed down, as you would expect them to when the economy slows down. So I do think we've gone beyond just the fundamentals, to basically pricing in Armageddon — that anything that can possibly go wrong will, that we're never going to turn the corner.

What are your biggest economic fears?

That there could be a short-term shock and an extreme negative if this great commodities slowdown in the price of oil and gasoline turns around in some way — say there's a cut in production by OPEC

(the Organization of Petroleum Exporting Countries), or some terrorist event disrupts supply. The recent price declines have done wonders for business, investor and consumer confidence. (Oil prices have recently tumbled below \$50 a barrel — nearly \$100 below the high they hit just four months ago.)

My other great concern is unemployment. With unemployment continuing to ratchet up, and with some forecasts at 8 percent or 10 percent it would make it very difficult for our economy to get footing when that number keeps going up. (The unemployment rate hit a 14-year high of 6.5 percent in October)

My third worry is whether there will be an economic stimulus plan in place early in the Obama administration. All signs are leading to that. But politics is tough to forecast. So even though on the surface it looks like everyone is in agreement, you never know what is going to happen in the political arena.

What makes you most confident a recovery is near?

Look at the backdrops of low interest rates and inflation. To me, those are the two things that make it very, very bullish.

Do you think U.S. stocks or foreign stocks offer better investment opportunities now?

For someone with a one-year time horizon — if they're just looking to say 'I've got to make money in the market in 2009' — I think the best market to be in is the U.S. For someone who would extend that time horizon to something like three years or longer, clearly the global story is still in play. It's just going to take it longer to recover.

That's because the recognition of the global slowdown happened first in the United States. If we look back, the Federal Reserve Board started cutting interest rates 15 months ago. So we're in front of the curve in terms of lowering interest rates.

Besides stocks, what good investment opportunities do you see?

I think municipal bonds are going to carry a lot of value in 2009. The more we spend our way out of this problem, it increases the likelihood that taxes may need to go higher to support this deficit spending.

So if you start looking at the numbers of what those deficits will start to look like, and the reality that eventually you're going to pay for it, I think you're going to see more investors hopping into tax-free municipal bonds.

---