

Obama to Draw an Economic Line in State of the Union
Time.com
January 21, 2012
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WASHINGTON — President Obama will use his election-year State of the Union address on Tuesday to argue that it is government's role to promote a prosperous and equitable society, drawing a stark contrast between the parties in a time of deep economic uncertainty.

In a video preview e-mailed to millions of supporters on Saturday, as South Carolina Republicans went to the polls to help pick an alternative to him, Mr. Obama promised a populist "blueprint for an American economy that's built to last," with the government assisting the private sector and individuals to ensure "an America where everybody gets a fair shot, everyone does their fair share and everybody plays by the same set of rules."

Mr. Obama has honed that message for months as he has attacked Republicans in Congress and on the presidential campaign trail, contrasting it with what he has described as Republicans' "go it alone" free-market views.

Last week at fund-raisers in New York, he told supporters that his push for a government hand had a precedent dating to the construction of canals and interstate highways, and the creation of land-grant colleges and the G.I. Bill. He said that Republicans had moved so far to the right that 2012 will be a "hugely consequential election."

Notably, Mr. Obama will again propose changes to the tax code so the wealthy pay more, despite Republicans' consistent opposition. Americans overwhelmingly support the idea, polls show, and the White House hopes that it gains traction with voters, given last week's acknowledgment by the Republican presidential candidate Mitt Romney that he pays taxes at a lower rate than many middle-class Americans because most of his income comes from investments.

With most Americans registering disapproval of the president's economic record after three years, it is all the more imperative for Mr. Obama to define the election not as a referendum on him but as a choice between his vision and that of his eventual Republican rival.

Mr. Obama's third State of the Union address is widely seen in parallel with the one delivered in 1996 by President Bill Clinton. Mr. Clinton likewise was seeking re-election, after voters in the midterm elections had put Republicans in power in Congress as a rebuke to his perceived big-government liberalism.

But Mr. Clinton sought to co-opt Republicans' small-government message; his State of the Union line "the era of big government is over" is among the most memorable of his presidency. Mr. Obama is confronting them instead, and framing the election-year debate in a way that aides say will challenge Republicans' support for unfettered American markets and "you're-on-your-own economics," as he put it in December in Osawatimie, Kan., in a speech that was a prelude for Tuesday's address.

Advisers and other people familiar with the speech say Mr. Obama will expand again on the administration's effort to resolve the housing crisis with both carrots and sticks to lenders dealing with homeowners behind on their mortgage payments — after yet another debate between his economic and political advisers.

The political team has long argued that most Americans oppose bold government action to stem home foreclosures, like forcing lenders to reduce borrowers' principal, seeing it as rewarding those who had bought houses they could not afford. The economic team holds that until the housing market recovers, the broader economy cannot — and that all Americans suffer.

On Tuesday, Mr. Obama will flesh out his populist message with new proposals to spur manufacturing, including tax breaks for companies that "insource" jobs back to the United States; to double-down on clean-energy incentives; and to improve education and job training initiatives, especially for the millions of long-term unemployed, the officials familiar with the speech said.

Mr. Obama is expected to harden his challenge to China to increase its currency's value for fairer trade — addressing the one area in which Mr. Romney has struck a more populist chord that appeals to the working-class voters that Mr. Obama will need if he is to be re-elected. The Obama team still views Mr. Romney, despite his defeat in the South Carolina primary on Saturday, as the president's most likely Republican challenger.

In the video preview, like one sent to supporters last year, Mr. Obama said he would call for "a return to American values of fairness for all and responsibility from all."

"We can go in two directions," he said. "One is towards less opportunity and less fairness. Or we can fight for where I think we need to go: building an economy that works for everyone, not just a wealthy few."

To that end, people familiar with his draft speech say, Mr. Obama will again call for changing the corporate and individual income-tax codes so the wealthy pay more, both to finance government investments and to alleviate the rise in income inequality in recent years.

Mr. Obama will revive his call, made in September, to rewrite the individual tax code in a way that follows what he termed the "Buffett Rule" — making sure that, as the billionaire Warren Buffett has said, no secretaries or other employees pay a higher effective tax rate than their better-paid bosses.

The president's proposal takes on heightened political importance after Mr. Romney, who so far has not released his tax returns, said he paid a rate of about 15 percent. That is a lower rate than many taxpayers who make much less income pay, reflecting a tax break opened in the past decade by the Bush administration and a Republican-led Congress for taxpayers whose income relies on investments rather than wages.

Republican presidential candidates have countered that government should get out of the way. Mr. Romney, a former Massachusetts governor, said after his victory in the New Hampshire primary that Mr. Obama "wants to put free enterprise on trial" and divide Americans "with the bitter politics of envy."

"We must offer an alternative vision," Mr. Romney said. "I stand ready to lead us down a different path, where we are lifted up by our desire to succeed, not dragged down by a resentment of success."

Mr. Obama will also propose political changes, perhaps in campaign finance. Those would tap the sentiment of many Americans, expressed among both Tea Party and Occupy protesters on the political right and left, that the system is rigged against them in favor of a privileged few.

Yet even if Congress went along, an unlikely prospect for much of the president's agenda because Republicans' opposition is expected to intensify in this election year, any changes would not affect this campaign season. Already it has been influenced by independent "super PACs" of wealthy individuals, corporations and unions that the Supreme Court's Citizens United ruling unleashed to spend unlimited sums on behalf of candidates.

Administration officials and allies cautioned that the language and proposals for Mr. Obama's Tuesday address to a joint session of Congress could change before then. "I'm actually not done writing it yet," Mr. Obama told supporters in the video, "so there might be a few late nights between now and then."

Besides new policies, he will revive politically popular proposals from the \$447 billion job-creation package that he announced after Labor Day, but that Congressional Republicans blocked. He will again call for subsidies to struggling states to keep teachers and first-responders in their jobs, for money for roads and other infrastructure projects, and for extending for the remainder of the year both the temporary payroll tax cut for 160 million workers and federal payments to the long-term unemployed.

Congressional Republicans' resistance to that agenda last fall, because they oppose both government stimulus measures and Mr. Obama's proposed taxes on the wealthy to pay for them, helped depress their already low poll ratings. That leaves them at a disadvantage to Mr. Obama at the start of an election year. His ratings in national polls have picked up, though he is still struggling to regain support for his handling of the economy.

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