

President's Party Hrets About His Powers of Persuasion

By PETER NICHOLAS
AND KRISTINA PETERSON

Unreversed by the defeat of the gun bill, some Democrats are growing pessimistic that President Barack Obama can muster the votes needed to pass large parts of his second-term agenda, unless voters change the makeup of Congress in the 2014 election.

Democratic strategists, lobbyists and some Capitol Hill aides see last week's defeat of the gun-bill amendments as a worrisome sign that Mr. Obama hasn't found a way to bridge the partisan divide in Congress—or even that he has a sufficiently firm hold on the more conservative members of his own party.

Mr. Obama said he hasn't given up on widening background checks for gun purchasers, an idea that won majority support in the Senate last week but fell short of the 60 votes

needed to overcome a promised GOP-led filibuster. He also is seeking to raise the minimum wage, boost spending on roads and bridges, expand early childhood education and reach what he calls a "grand bargain" to cut deficits while making adjustments to Social Security, Medicare and the tax code.

A central element of his agenda is a proposal to overhaul the immigration system and provide a path to citizenship for the 11 million people living in the U.S. illegally. Democrats believe that measure stands the best chance of passing, largely because Republicans worry that they risk alienating Hispanic voters should they scuttle the bill.

Yet following the defeat of the gun legislation, some Democrats are skeptical. "There's a possibility that we get immigration reform," said Joe Trippi, who was national campaign manager for

Howard Dean's 2004 presidential bid. "But even that could go the way of gun control, where we feel like we've got a compromise—we feel really close—but it doesn't quite happen."

Sen. Chris Coons (D., Del.) said his perspective was colored by the failure of the gun proposal. "Given the disappointing outcome, I am cautious about predicting a positive outcome for any legislation this year," he said, though he noted there might be bipartisan support for some manufacturing initiatives.

Some Democrats wondered whether Mr. Obama could do more arm-twisting to convince four Senate Democrats from GOP-leaning states who voted against the background-check amendment, and perhaps pick up another Republican or two. The president "still doesn't get in there and work with his own guys as well as he should,"

said Ed Rendell, a former Democratic governor of Pennsylvania.

While the White House is renewing its outreach to lawmakers, including Republicans, some believe the overtures feel thin—driven by pressing legislative deadlines. "Don't talk to me when it's all out there. Call me initially and ask, 'What can we work on?'" said a GOP senator.

A senior White House official said Mr. Obama "has used every tool in his toolbox to try to advance his agenda. And that includes meeting with, talking with, dining with and negotiating with lawmakers of both parties."

The official said in a very different time than former Democratic President Lyndon B. Johnson, who was well known for bending the will of Congress. Comparing the two misses "the fact that LBJ had one of the largest Democratic majorities in history and

that every lawmaker whose arm was twisted was a member of his own party," the official said.

Peter Poyser, a longtime Democratic lobbyist, predicted the immigration bill would succeed, but added: "We need another election that moves the needle even further in the direction of the president's policies." Democrats would need to retain their majority in the Senate and pick up 17 House seats in 2014 to win back control of Congress.

The immigration bill has the backing of four prominent Republicans and a host of business and labor groups. Democratic strategists say that gives cover to Republicans who might want to support the bill but worry about being singled out by conservative activist groups and voters who oppose the bill.

Mr. Obama can ill afford to see the bill falter, Democrats say. "If he can't pass immigration, I don't think he can count on getting anything major done for the rest of his term," a Senate Democratic leadership aide said.

Mr. Obama planned to host a White House dinner Tuesday for all 20 women senators. He has already had three dinners with a total of 36 senators.

"It establishes an environment and an atmosphere where you can have conversations with each other," Sen. John McCain (R., Ariz.) said. "Every time I've seen something succeed, it's been through conversations and exchanging ideas."

But the White House also believes that, in the end, the public will force change, demanding tighter gun laws and other changes that lawmakers won't be able to ignore. "The way to have real change in this country is to engage the American people and have them demand it," a senior White House official said.

Belgian Shoes



belgianshoes.com
212-755-7372

ENHANCE YOUR CUSTOMER EXPERIENCE

Manage your account at
customercenter@wsj.com
or email us at
service@dowjones.com

THE WALL STREET JOURNAL

10/2/13

Apple Suffers First Profit Drop in a Decade

Continued from Page One

size of its stake. "We're very confident in our future," said Peter Oppenheimer, Apple's chief financial officer, in an interview. He added that "it is a great time for Apple and it will continue to be a great time for Apple."

A less-positive undercurrent in Apple's results is a squeeze on gross profit margins, an important measure in the efficiency of the company's operations. The figures came in slightly lower than analysts expected, as the company's product mix shifted to cheaper devices like the iPad Mini.

The company predicted margins could shrink a bit more in the current quarter, ending in June. It also warned that revenue for the fiscal third quarter could come in slightly lower than analysts' expectations and could even fall for the first time since 2003.

Executives suggested the next significant product update won't come until the fall. Its latest, the iPhone 5, came out in September. Chief Executive Tim Cook said on the call with analysts that the teams are working hard on "amazing new hardware, software and services that we can't wait to introduce this fall and throughout 2014." When asked on the call to clarify a date, Mr. Cook said he didn't want to be more specific.

Apple shares initially rose as

much as 6% in after-hours trading following the earnings report but later fell 0.5% to \$404 during the call with analysts. Shares closed Tuesday at \$406.33, up 1.9%.

Gene Munster, an analyst at Piper Jaffray, said short-term investors were likely spooked by the idea that the summer months may be another relatively quiet period from the Silicon Valley company.

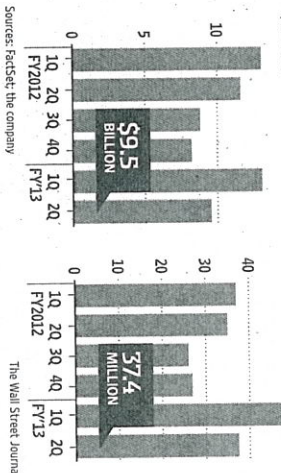
"Investors who are short-term focused might be reading that they have to wait another four months before things get exciting again," he said.

For the quarter ended March 30, Apple reported a profit of \$9.55 billion, or \$10.09 a share, down from \$11.62 billion, or \$12.30 a share, a year earlier. Analysts had projected a per-share profit of \$10. Revenue rose 11% to \$43.6 billion.

Among the positive signs, Apple said it sold 374 million iPhones in the quarter, up from 351 million a year ago. Apple sold 19.5 million iPads, compared with 11.8 million the year before. Apple's announcement on cash, which Mr. Cook said earlier this year the company had been examining, also settles questions about the company's plans for the stockpile, which grew to \$145 billion at the end of March. Earlier this year, investors including hedge-fund manager David Einhorn lobbied the company to re-

Snapping a Streak

Apple's year-over-year quarterly profit fell for the first time in a decade, but demand for its iPhone and other devices remained strong.



Sources: Factset; the company

The Wall Street Journal

turn more to shareholders.

Greenlight Capital, the hedge fund run by Mr. Einhorn, applauded Apple's cash plans in a statement Tuesday. The firm stated it "a more shareholder-friendly capital allocation policy and demonstrates the conviction of Apple's management and board in the company's future."

Apple's cash announcement was more generous than some analysts had anticipated. But Mr. Munster said while the move was a step in the right direction, it still doesn't appear to give investors everything they want.

The company said it will boost its quarterly dividend by 15% to \$3.05 a share, and it will spend \$60 billion on stock buybacks through 2015, up from \$10 billion announced last year.

During the call with analysts, Mr. Cook highlighted the scale of Apple's results. "These are very large numbers," he said, while acknowledging that gross margins had returned to levels of a few years ago.

Analysts said the results indicate that Apple's business is still strong. "At the end of the day, the numbers are fine," said Brian

Marshall, an analyst at ISI Group. "A lot of fear is built into the stock."

One factor in the quarter was the continued popularity of the iPhone 4, which costs less than its newer iPhone 5. As a result, average selling prices for the iPhone line fell \$28 in the latest quarter.

Besides newer mobile devices, Apple said it sold just under four million Mac computers, about the same as the year ago quarter. Revenue from iTunes and other software and services grew nearly 30% to \$4.1 billion from the year-earlier period, the company said.

About two-thirds of Apple's revenue came from international sales. In mainland China, Hong Kong and Taiwan—a closely watched target for future growth—revenue grew 11% to \$8.8 billion, decelerating from stronger annual growth last quarter when the iPhone 5 was launched in China.

Mr. Oppenheimer said iPad growth was particularly strong in Greater China and Japan, where sales more than doubled year over year.

Online»

Track the performance of 150 companies and compare their results with estimates at WSJ.com/Earnings.