

Financial crisis complicates Obama transition

By TOM RAUM –

WASHINGTON (AP) — As president-elect, Barack Obama faces a tricky task as he begins dealing ever more directly with the economic meltdown, grappling with the worst financial crisis in seven decades but not yet wielding the power to do much about it.

He won't be a participant at President Bush's global summit next week, although the 20 leaders attending are no doubt keenly interested in his views. And he may have to eventually push back against some members of his own party in Congress over details of a new plan to stimulate the economy.

Congress convenes for a lame-duck session on Nov. 17, and Obama is giving all indications that he'll play a direct role rather than keeping his distance until he is sworn in.

"The president-elect has said he wants another stimulus, the president-elect therefore has views on what that stimulus should be, and the Democratic Congress should take its cues from the president-elect," said economist Rob Shapiro, a top Commerce Department official in the Clinton administration who now is on Obama's team of transition advisers.

Will Obama be able to pull off a smooth changeover in economic management in such trying times? "He'll have to work very hard at it, but of course he can. This is a man who pulled off the smoothest campaign in history," said Shapiro, now associated with NDN, a think tank formerly known as the New Democratic Network

The Illinois senator meets on Friday with his economic team and holds his first postelection news conference.

Obama's victory emboldened Democrats and helped them expand their House and Senate majorities. "The fact is that this president goes into office with more expectations than any president I can ever remember in my lifetime," said House Speaker Nancy Pelosi.

But some liberal Democrats may expect him to deliver more than they're likely to get. As Pelosi was quick to note, "The country must be governed from the middle," and that will increase pressure on Obama to make compromises.

He may have to scale back some of the long-term spending programs he advocates to pay for crash legislation to keep what already looks like a recession from turning into something much worse.

"The need has never been greater for the absolutely seamless transition of economic teams," said William Galston, who was a White House domestic policy assistant in President Clinton's first

term. "We're in a race against time to prevent a global financial meltdown, and I think everybody knows it."

Obama has called for about \$175 billion in new stimulus spending, including money for roads, bridges and aid to hard-pressed states. He wants a rebate of \$500 for individuals, \$1,000 for families and a new \$3,000 tax credit for businesses for each new job created.

Many congressional Democrats have been cool to the notion of more tax rebates, on top of the \$168 billion handed out earlier this year.

Obama and congressional leaders will have to sort out any differences, said James Thurber, a political science professor at American University. "He has to hit the ground running or he'll be left behind on some of these key policies dealing with the economy," Thurber said.

Lawmakers seem likely to settle on relatively modest measures for now — such as a \$60 billion package for extended unemployment benefits, food stamps and subsidies to states — rather than risk a Bush veto. Then, with expanded Democratic majorities in both chambers, Congress can tackle a more-ambitious plan early next year.

On Thursday, Obama named Rep. Rahm Emanuel, a hard-charging fellow Democratic lawmaker from Chicago, to be his White House chief of staff. Now he is under pressure to name a treasury secretary as quickly as possible.

Former Treasury Secretary Lawrence Summers, who served at the end of the Clinton administration, and Timothy Geithner, president of the Federal Reserve Bank of New York, are viewed as top contenders.

Geithner has played a key role in the government's response to the financial crisis and worked closely with Treasury Secretary Henry Paulson. Summers, whose tenure as president of Harvard was rocky after inflammatory remarks about women in the sciences, has been a close adviser to Obama.

Other names being mentioned include another former Clinton treasury secretary, Robert Rubin, New Jersey Gov. Jon Corzine, former Fed Chairman Paul Volcker and Jaime Dimon, chief executive of JP Morgan Chase. During one of the presidential debates, Obama and GOP rival John McCain suggested billionaire investor Warren Buffett would make a fine, if unlikely, secretary.

Obama has promised to keep in close contact with Paulson, who has made it clear he will leave his post in January and leave to his successor key decisions on how to spend the rest of the \$700 billion financial rescue package passed last month by Congress.

Paulson pledged Thursday to work closely with Obama, saying, "A methodical and orderly transition is in the best interests of the financial markets and Treasury is committed to making sure that the incoming team can hit the ground running in January."

The Bush administration is already pouring \$250 billion into banks in return for partial ownership. It also may use some of the money to buy bad mortgages and other toxic debt held by financial institutions.

Presidents have to be careful about what they pick as their top legislative goals. Despite wide Democratic majorities, President Carter stumbled with energy proposals and President Clinton with health care overhaul. In 2004, Bush squandered political capital from his re-election victory to push a partial privatization of Social Security that he couldn't sell even to most fellow Republicans.

White House press secretary Dana Perino said Thursday that the administration has been briefing Obama aides. "What we have pledged to do and we are doing is to work and consult with the Obama team on issues as we move forward, one of those being the financial summit that's coming up next week," she said.

Obama declined an invitation to attend himself. Why? The Obama camp says it's one thing for the president-elect to work with his party in Congress on a stimulus package, another to participate directly in something that is the prerogative of the president. But he's expected to send a representative.