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Obama plays to his base with financial team moves

Lawrence Summers' departure as senior economic advisor and Elizabeth Warren's appointment to set up the new consumer financial protection agency should make core Democrats happy.

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Reporting from Washington — By announcing major changes in his economic team ahead of the midterm elections, President Obama is hoping to galvanize a listless Democratic base that has been unimpressed with the administration's efforts to ease unemployment and buoy the still-troubled housing market.

The two key moves — Lawrence Summers' exit as top economic advisor and Elizabeth Warren's ascendance as a consumer protection czar — are widely viewed as overtures to liberal Democrats, a voting bloc that must turn out in large numbers if the party is to stave off deep losses in the Nov. 2 congressional elections.

"Larry Summers was never that popular with the base, and this president is desperately trying to mobilize the base between now and November,'' said Stephen Wayne, a government professor at Georgetown University.

"Elizabeth Warren coming and Larry Summers going, these are moves designed to placate the Democratic base and mobilize it as we approach the election," Wayne said.

At the same time, administration officials insist Obama does not intend a broad retreat from his economic policies.

"The change in personnel is not going to affect the course that we're on," said Jared Bernstein, chief economic advisor to Vice President Joe Biden. "We're going to build on the momentum that the policies have helped to create."

Indeed, there is little else Obama can do to lower the jobless rate, reduce home foreclosures or improve growth before the November elections. The economy moves too slowly for that, and so does Congress.

On Thursday, for example, congressional Democrats indicated that they might put off a crucial decision on whether to extend temporary, Bush-era tax cuts until after the November election.

Obama announced this week that Summers would be leaving at the end of the year, the third member of his economic team to make departure plans public in recent weeks. Summers had long planned to return to Harvard, but announcing the move now is seen as giving Obama a political boost ahead of the elections.

A week ago, Obama appointed Warren to set up the new federal agency charged with protecting consumers from abuses by banks, credit card companies and other financial firms. She also joined the White House economic team.

Both Summers and Warren evoke strong emotions among Democrats.

Summers is loathed by many progressives, who see him as tied to Wall Street interests. At the same time, the left praised the arrival of Warren, hailing the Harvard law professor as a champion of the middle class.

But nothing in the new lineup of advisors suggests Obama is abandoning the path out of the deep recession he has plotted over the past 20 months.

Two pivotal vacancies — budget director and chair of the Council of Economic Advisors — have been filled from within the administration. And although the White House has said Obama might tap a corporate executive to replace Summers, the team's most senior member will continue to be Treasury Secretary Timothy F. Geithner, a chief architect of the administration's economic policy.

Some economists said that strategy was a mistake given the slowing pace of economic growth and continued deep problems in the housing market. The nonpartisan Congressional Budget Office forecasts a modest 2.1% increase in real economic output next year, far too weak to make much of a dent in 9.6% national jobless rate.

"There's a distinction between shaking up the team and making shifts in policy," said Robert Shapiro, an economic official in the Clinton administration.

"The question is how much confidence do they have that, without additional measures, the economy will strengthen on its own," he said. "I think Larry had confidence in that six months ago ... but no one has as much confidence in it today."

While Obama has one eye on the midterms, he is also focused on his reelection in 2012. The president and his economic team have been adamant that the economy is on the right track and that their policies simply need more time to reverse the effects of the deepest recession since the Great Depression.

"We're moving in the right direction," Obama said this week during a town hall meeting about the economy.

But polls show angry and frustrated voters moving away from the Democrats this fall. And, just as disconcerting to the White House, many of the party's core supporters appear uninspired heading toward an election that could shift control of one or both houses of Congress to the Republicans.

Obama clearly is concerned about apathy in the Democratic base.

"The single biggest threat to our success is not the other party. It's us," he told a fundraiser for congressional Democrats in New York on Wednesday. "It's people feeling like, 'Well, we only got 80% of what we want, we didn't get the other 20, so we're just going to sit on our hands.' "

Geoff Garin, a Democratic strategist, said that Warren's appointment might not influence turnout so much as energize donors and grass-roots activists.

"For a lot of progressives, she became a measuring rod of whether the administration's heart was in the right place," Garin said.

Dean Baker, co-director of the liberal Center for Economic and Policy Research, said Obama's economic team can and should do more to improve the economic recovery. It particularly needs to address the continued problem of home foreclosures, he said.

"The idea that we just stand pat and congratulate ourselves that we didn't have a second Great Depression, which is what they're doing, I think is horrible economic policy," Baker said.

Obama should steer to the left with Summers' replacement, Baker said, suggesting Nobel Prize-winning economist Joseph Stiglitz, a strong proponent of government stimulus spending.

A White House official who requested anonymity said Obama was unlikely to name a successor to Summers for several months.

There is no short list of candidates, but among possible replacements are Laura Tyson, an economist from UC Berkeley who held the job during the Clinton administration, and Anne Mulcahy, former chief executive of Xerox.

Internal candidates could include Diana Farrell, one of Summers' deputies at the National Economic Council; Lael Brainard, undersecretary of Treasury for international affairs; and Cecilia Rouse, a member of the Council of Economic Advisors.

A nominee such as Mulcahy would quell criticisms from the business community that the president's top economic advisors' lacking real-life corporate experience. At the same time, such an appointment would risk alienating liberals.

"It is Clintonian — trying to make all the people who hate you love you," said Lawrence Mishel, president of the Economic Policy Institute, a liberal think tank.

"The problem hasn't been that they haven't been too attentive to business," Mishel said. "The problem is in ...messaging, and having bold enough policies."

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