

Obama builds brain trust to tackle financial crisis

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WASHINGTON—Barack Obama has moved quickly to try to calm financial markets, introducing his economic team to the world while conceding his new brain trust inherits a "crisis of historic proportions."

With fears mounting that the long presidential transition period in the United States is only fuelling economic agony, Obama told a Chicago news conference yesterday that he and his officials will hit the ground running in January.

Without immediate action, the president-elect said, the U.S. economy could shed millions of jobs again in 2009.

No economic team in recent history has been faced with such a gargantuan task as the world slips into recession, but the new U.S. president will be surrounded by centrist free traders with a global outlook, a sign analysts say should allay any fears in Ottawa that trade protectionist sentiments here would lead to a renegotiation of NAFTA.

As expected, Obama named 47-year-old Timothy Geithner, the president and CEO of the Federal Reserve Bank of New York and a man with a history of crisis management, as his treasury secretary.

He tapped Lawrence Summers, 53, a former treasury secretary and one-time president of Harvard University as his director of the National Economic Council, Christina Romer, 49, an economics professor at the University of California, Berkeley, as the director of the Council of Economic Advisers and Melody Barnes, 44, a former official for a liberal think-tank in Washington and long-time aide to Massachusetts Senator Edward Kennedy, as director of the Domestic Policy Council.

Washington-based experts in Canada-U.S. relations said the appointments were another signal that any quick move to renegotiate the North American Free Trade Agreement is not likely.

"All the deep thinkers around the president-elect are free traders," says Gordon Giffin, a former ambassador to Ottawa under Bill Clinton who is assisting in the Obama transition.

"The conventional wisdom in Canada seems to be that all Democrats are trade protectionists, but, although there are members of Congress with that sentiment, this will not be the hallmark of this administration."

Paul Frazer, a Washington consultant and former Canadian diplomat, said Obama is putting together a cabinet comprised of "pragmatic, experienced people with a global outlook."

"They all have a broad perspective," Frazer said. "They will see the national interest here when it comes to trade, but they will also see the need to keep the world trading with each other."

Obama said he will call on the new U.S. Congress to pass an economic stimulus package, a massive program some Democrats have estimated will cost up to \$700 billion (U.S.) The president-elect would not put a price tag on a package he says will create or protect 2.5 million jobs.

He said he would back a bailout of the auto industry if they can come up with a coherent plan for the future, but was harsh in his assessment of the performance of the Big Three before Congress last week.

He also wavered on a campaign promise to repeal tax breaks for Americans earning more than \$250,000, saying he could let them expire in 2010 as scheduled rather than ending them sooner.

"Our financial markets are under stress," Obama said.

"New home purchases in October were the lowest in half a century. Recently, more than half a million jobless claims were filed, the highest in 18 years, and if we do not act swiftly and boldly, most experts now believe that we could lose millions of jobs next year."

Geithner had been involved in the weekend efforts to stabilize Citigroup, a deal that ended with another \$20 billion being pumped into the struggling bank. He was also involved in the bailout of the American International Group.

In Toronto, Finance Minister Jim Flaherty said he had met with Geithner a number of times over the past few years, the *Star's* Linda Diebel reports.

"This is a huge job he's undertaking at a difficult time," Flaherty said. "It's helpful, I think, he has experience in the past number of months during the credit crisis in the U.S. and at the Fed in New York dealing with these issues."

Geithner is the first Obama cabinet member to be officially announced, but a spate of announcements is expected after the American Thanksgiving break, including Hillary Clinton as secretary of state, Janet Napolitano in homeland security, Tom Daschle in health and human services and Bill Richardson as commerce secretary.

Because the economy has eclipsed all else for the incoming government, Obama moved first with his economic team.

"This won't be easy," Obama said. "There are no shortcuts or quick fixes to this crisis, which has been many years in the making – and the economy is likely to get worse before it gets better."

Obama again said the U.S. auto industry cannot be allowed to vanish, but added there will be no blank cheques for an industry that has not adapted to new realities.