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ROURKE****January 8, 2009**

## Obama Promises Bid to Overhaul Retiree Spending

**By [JEFF ZELENY](#) and JOHN HARWOOD**

WASHINGTON — President-elect [Barack Obama](#) said Wednesday that overhauling Social Security and [Medicare](#) would be “a central part” of his administration’s efforts to contain federal spending, signaling for the first time that he would wade into the thorny politics of entitlement programs.

As the [Congressional Budget Office](#) projected a record \$1.2 trillion budget deficit for this year even before the costs of the nearly \$800 billion economic [stimulus package](#) being taken up by the House and the Senate, Mr. Obama stepped up his effort to reassure lawmakers and the financial markets that he plans a vigorous effort to keep the government’s finances from deteriorating further.

Speaking at a news conference in Washington, he provided no details of his approach to rein in Social Security and Medicare, which are projected to consume a growing share of government spending as the baby boom generation ages into retirement over the next two decades. But he said he would have more to say about the issue when he unveiled a budget next month.

Should he follow through with a serious effort to cut back the rates of growth of the two programs, he would be opening up a potentially risky battle that neither party has shown much stomach for. The programs have proved almost sacrosanct in political terms, even as they threaten to grow so large as to be unsustainable in the long run. President Bush failed in his effort to overhaul Social Security, and Medicare only grew larger during his administration with the addition of prescription drug coverage for retirees.

Mr. Obama also promised a more intensive effort to weed inefficient and bloated programs out of the [federal budget](#) in the short run, creating a White House position to “scour this budget, line by line, eliminating what we don’t need, or what doesn’t work, and improving the things that do.” He named Nancy Killefer to the post, called chief performance officer.

“If we do nothing,” Mr. Obama said, “then we will continue to see red ink as far as the eye can see.”

In an interview later in the day with CNBC and The New York Times, Mr. Obama suggested that he would hold his economic stimulus proposal to the low end of the amounts that economists think will be necessary because it was likely to grow in size as it moved through Congress. He said that he intended to propose a broad overhaul of financial regulation by April, and that he was working with Congressional leaders on his promised plan to limit foreclosures in the wake of the mortgage crisis.

“We’ve got to prevent the continuing deterioration of the housing market,” he said.

Mr. Obama met privately on Wednesday with Mr. Bush, then had lunch at the White House with Mr. Bush and the three living ex-presidents, [Jimmy Carter](#), George Bush and [Bill Clinton](#). In the interview, Mr. Obama

said the other presidents had offered him good advice about the job: "How do you make sure that you get good information?" he said. "How do you make sure that people aren't just telling you what you want to hear?"

The bad fiscal news underscored how, on his first week in Washington since the election, Mr. Obama is being challenged by a broad array of problems, some inherited and some a result of his own missteps, a departure from a transition that until now had been praised as orderly and swift.

The fighting between Israelis and Palestinians will present him with a complex foreign policy challenge immediately upon taking office.

The week opened with the first casualty among Mr. Obama's cabinet appointments, as Gov. [Bill Richardson](#) of New Mexico withdrew as his choice for commerce secretary amid questions about whether he had been adequately vetted. Then Mr. Obama had to apologize to Senate leaders for not informing them of his choice to lead the [Central Intelligence Agency](#), [Leon E. Panetta](#).

On Wednesday, Mr. Obama backed away from his opposition to seating [Roland W. Burris](#) as his successor in the Senate, after initially saying that Mr. Burris was unacceptable because he had been chosen by Gov. [Rod R. Blagojevich](#) of Illinois, who has been accused of trying to sell the seat. These events are testing the resilience of Mr. Obama's honeymoon, the depth of public support for him and how much people are willing to move beyond the familiar partisan rancor because of the gravity of the crises when he assumes power.

"When you hit a bump, it may not be obvious at the time whether it's a mountain or a molehill, but they are rarely mountains," said [David Axelrod](#), a senior adviser to Mr. Obama. "There are going to be things that go better than other things. The question is, Are we moving in the right direction? The answer is yes."

The dustup over Mr. Obama's selection of Mr. Panetta to lead the C.I.A. appeared to cool Wednesday. Senator [Dianne Feinstein](#), a California Democrat and incoming chairwoman of the Select Committee on Intelligence, dropped her criticism, saying, "I believe all systems are go."

Mr. Obama also was poised to name [Cass R. Sunstein](#), an American legal scholar, to an existing White House post as the administrator of the Office of Information and Regulatory Affairs. A transition official said late Wednesday that Mr. Sunstein would oversee government regulations and devise new approaches for government efficiencies.

For now, Mr. Obama is seeking to keep the spotlight focused on the economic recovery plan he is urging Congress to pass. He is set to offer a campaignlike address explaining the proposal on Thursday at George Mason University in Virginia, his first speech since winning the election. In the interview, he offered some soothing words to Republicans and the financial markets about his ideological approach, saying it was only the scale and urgency of the economic crisis that led him to support a huge stimulus plan.

"I'm not out to increase the size of the government long-term," he said. "My preference would be that the private sector was doing this all on their own."

On Capitol Hill, some Republicans warned that the deficit would be even larger than the Congressional Budget Office has projected, perhaps as much as \$1.8 trillion once additional spending bills are approved.

Senator [Judd Gregg](#) of New Hampshire, the senior Republican on the Budget Committee, and his House counterpart, Representative Paul D. Ryan of Wisconsin, said the extensive borrowing by the government could be a disaster if Congressional Democrats and the new [Obama administration](#) did not also work on long-term solutions including changes to Social Security and Medicare.

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