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Bush to Change Economic Team

Candidates Likely To Be From Outside The Administration

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President Bush plans to overhaul his economic team for the second time in two years and wants to tap some prominent replacements from outside the administration to help sell rewrites of Social Security and the tax laws to Congress and the country, White House aides and advisers said over the weekend.

Aides said changing four of the five top economic officials -- including the Treasury and Commerce secretaries, with only budget director Joshua B. Bolten likely to remain -- is part of Bush's preparation for sending Congress an ambitious second-term domestic agenda.

Commerce Secretary Donald L. Evans and chief economic adviser Stephen Friedman have announced their resignations, and officials had signaled they would move gradually to replace the team. But the White House is now indicating it may move more quickly to convey a fresh start. Aides also said Bush is considering reaching beyond the kind of administration loyalists who will staff key national security posts in the second term.

Republican officials said Bush's economic team has been weaker than his national security advisers, and that the president believes he needs aides who can relate better to Congress and the markets. A more skilled team is essential, the aides said, because of the complex and politically challenging agenda of overhauling Social Security to add private investment accounts and simplifying the tax code.

"The president knows that he doesn't have the strength in that stable, and he's going to another corral to find it," said a member of Bush's political team who asked not to be identified because it is not his job to talk to reporters.

One senior administration official said Treasury Secretary John W. Snow can stay as long as he wants, provided it is not very long. He might stay as long as six months into the term, officials said. Friends say Chief of Staff Andrew H. Card Jr. is one possibility to replace him. Bolten also could move over.

But Republican officials said Bush is also considering well-known officials from outside, including New York Gov. George E. Pataki (R). Conservatives are pushing for former senator Phil Gramm, a Republican from Texas.

Also under consideration is John J. Mack, who stepped down in June as co-chief executive of Credit Suisse Group. Mack has also been considered to lead a bipartisan commission on changing the tax system that Bush will appoint to develop recommendations for the Treasury secretary.

Friends said Friedman announced last week that he was leaving because it became clear to him that he would not be named Treasury secretary. N. Gregory Mankiw, chairman of the Council of Economic Advisers, also is expected to

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Gov. George Pataki

depart, officials said.

Evans, who announced shortly after the election that he will leave Commerce at the end of January, was to be replaced by another presidential friend -- Cincinnati businessman Mercer Reynolds, who was partners with Bush in the Texas Ranger baseball team and was finance chairman of his reelection campaign. But Bush advisers said Reynolds is no longer the front-runner for the job and said the White House hopes to nominate another business executive who is trying to get his finances worked out.

As a consolation prize, Reynolds could be named ambassador to Britain, Bush advisers said.

Bush aides, who have been debating what parts of his legislative package to send to Capitol Hill first, will start with measures to restrict medical malpractice claims and other lawsuits. Bush will then try to advance his initiative on Social Security, after which will come proposed changes in the tax laws. In the next month or two, Bush plans to name a commission to make recommendations on the tax code that could eliminate some loopholes and even replace the income tax with a sales tax or value-added tax.

With the three Cabinet replacements Bush has announced so far for his second term, he kept his circle tight by dispatching White House staff members to take over the State, Justice and Education departments. Aides said many other such moves will be announced, because Bush and senior adviser Karl Rove are determined to "implant their DNA throughout the government," as one official put it.

But aides said Bush will almost certainly go outside the government for some substitutions for his economic team, which some Republicans viewed as a weak link during a campaign that was run on the president's image and national security credentials.

Administration officials would not spell out all the reasons for the changes, but one clue came from the roiling frustration expressed by a senior Republican congressional aide who is eager to help Bush but has found his legislative operation clumsy over the past four years.

"They need people who have not been drinking the Kool-Aid and are going to come up here and say breathlessly, 'This is what the president wants to do, and isn't it great?' " the aide said. "They need someone like a former senator or former member or former governor who can come up here and say, 'This is going to be hard. There's going to be blood on the floor, but it's going to be worth it.' "

A possible replacement for Friedman is Tim Adams, who was policy director of the reelection campaign and was chief of staff to Snow and his predecessor, Paul H. O'Neill. But officials said Adams is more likely to become the deputy chief of staff for policy -- a job that came open when Harriet Miers, who currently holds the job, was named White House counsel.

Another possible Friedman replacement is Samuel W. Bodman, the deputy Treasury secretary, who has indicated he wants to leave that job. Adams could also succeed Bodman, officials said.

For Mankiw's slot, the White House has courted Massachusetts Institute of Technology professor James Poterba, an expert on Social Security and taxes.

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