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Lawrence Summers, Rep. John Boehner (R-OH), Tom Friedman, Stephen Hayes, Michele Norris

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MR. DAVID GREGORY: Our issues this Sunday: the nation's 44th president takes office and lays out the challenges ahead.

(Videotape)

PRES. BARACK OBAMA: Starting today we must pick ourselves up, dust ourselves off and begin again the work of remaking America.

(End videotape)

MR. GREGORY: At the top of the agenda, the dire economic crisis and how to create jobs, restore confidence and get the nation's economy moving again.

Our exclusive guests, two men at the center of the debate: the president's top economic adviser, director of the National Economic Council, Lawrence Summers; and the leader of the Republicans in the House, an outspoken critic of the stimulus plan, Congressman John Boehner.

Then, President Obama's first week on the job: trying to make a clean break from the Bush years, ordering the closure of the detention center at Guantanamo Bay, Cuba, and signaling a new diplomatic push in the Middle East. Insights and analysis on the new Obama administration from New York Times columnist Tom Friedman; senior writer for The Weekly Standard, Stephen Hayes; and host of NPR's "All Things Considered," Michele Norris.

But first, the president's point man on the economy, Dr. Larry Summers. Welcome back to MEET THE PRESS.

DR. LAWRENCE SUMMERS: Good to be with you.

MR. GREGORY: President Obama's elected to get a daily economic briefing similar to the national security briefing. Can you tell us what you're telling him, succinctly, about the state of this economy?

DR. SUMMERS: I'm telling him he's inherited an extraordinarily difficult situation: the worst economy since the second World War, a financial system that's got very serious problems, government budget deficits he's inheriting of a trillion dollars, an entitlement situation that's three times the burden that it was in the year 2000. He's inheriting an extraordinarily difficult situation in the domestic economy, in the global economy; the kind of situation that requires the types of decisive action he's been working with Congress to produce.

MR. GREGORY: So let's talk about that, and that is the stimulus or the recovery plan that the president has proposed. In December, this is what you wrote: "In this crisis, doing too little poses a greater threat than doing too much." That was an op-ed piece you did. In that same piece, you said at that time that the economy was headed to a position where it was underperforming, where it was falling short of capacity to the tune of a trillion dollars. Now, there are other economists that I've spoken to say actually that's optimistic, that it's actually falling short to the order of \$2 trillion. So why a stimulus plan that's only 825 billion?

DR. SUMMERS: David, this is the largest stimulus plan in the country's history. It's the largest investment in the backbone of our economy since the interstate--since the interstate highway system. It's going to double renewable energy. And it is only one phase of the approach that the president is taking. The president has made clear that there will be strong action to address the terrible problems in our housing sector, that he will be using additional funds for a substantial financial recovery plan to get the flow of credit going. This is one component of our strategy to bring about expansion. And the president has also made clear that going forward we're going to be leaning forward and that he is prepared to do what is necessary.

MR. GREGORY: It is big, even...

DR. SUMMERS: And so we believe this--we believe that this is a properly sized approach to move the economy forward. You know, economists from several private firms have now corroborated our incoming CEA chairman Christina Romer's estimate that the plan will create...

MR. GREGORY: The Economic Advisory Board.

DR. SUMMERS: Yeah. The plan will create three to four million jobs more than the economy otherwise would've had, and that's before you get to the financial recovery approach. So we are very determined.

But there is one other thing that we are also very mindful of, which is money has to be spent well. And that's why the president's put new emphasis on accountability in designing this proposal: no earmarks, oversight of all projects, transparency on a Web site that everybody can see on the status of each project. And we also have to do things in a way where the government can control them right.

MR. GREGORY: I, I--and I want to go through all that. But I just want to go back to your central point, which is that one of the biggest mistakes you can make is doing too little. Yes, this is the largest stimulus in our history, but the problem, as you said, is something we've never seen in our history. So if you have a hole in the economy that's at least a trillion, maybe 2 trillion, don't you need a stimulus package that fills that hole?

DR. SUMMERS: Well, no, David. We have what economists call the multiplier. A fact--when the government--when the government spends...

MR. GREGORY: Right, which is if you create a job, it creates another job.

DR. SUMMERS: ...when the government spends a dollar creating a job, that person has higher income; because they have higher income, they're able to spend more, that creates other jobs down the road. That's why we surveyed a range of economists. We talk--and this is something the president insists on--to a lot of experts, both Democrat and Republican. And you know, frankly, some of them think the stimulus should be larger, some of them think the stimulus should be, should be smaller. President balanced the different views and I think came to the approach that we've taken, and came to an approach that's balanced in another way. It's balanced between very substantial new investments that are referred to between very important protections to prevent teachers and cops from being laid off, and also--and this is a substantial part of the package--tax cuts, because we recognize that we've got to help households to be able to spend, and businesses.

MR. GREGORY: Let's talk about what can be achieved this year, this calendar year. It's a big concern, you want that up-front stimulus to jump-start the economy. The CBO, the Congressional Budget Office issued a report this week, and it was also echoed by a research report done by the investment bank Goldman Sachs. And we'll put a portion of that Goldman Sachs report on the screen: "Preliminary estimates imply that of the \$825 billion Congress is considering, only \$250 billion will make it into the economy in the current calendar year. This could still change as the package works its way through Congress, but these estimates highlight the political and practical challenges in enacting an effective fiscal package, particularly in 2009." Only \$250 billion worth of impact this year. Don't you want more of a jump-start?

DR. SUMMERS: This is something we've been very focused on. There's certain adjustments that are taking place in the legislation. The president has committed, through a letter from his O and B director, Peter Orszag, that three-quarters of this \$825 billion program will be spent out within the first 18 months. And we're doing everything we can. But frankly, we're not going to rush things to the point of being wasteful. But the tax measures are going to change withholding checks within weeks after they're enacted. Cities across the country are going to see help so they don't have to lay off teachers or cops within weeks after this--after the program is passed. So yes, speed is a crucial concern. But you know, David, there is something else we have to recognize, which is these problems weren't made in a day or a week or a month or even a year, and they're not going to get solved that fast. So even as we move to be as rapid as we can in jolting the economy and giving it the push forward it needs, we also have to be mindful of having the right kind of plan that will carry us forward over time. That's why the productive aspects of the investments the president's making--doubling renewable energy, for example, modernizing 10,000 schools--are so essential.

MR. GREGORY: Let me get to the--that spending piece and the tax cut piece. This is an area where conservatives, Republicans, have been critical. Let's go through them. There has been a concern about the spending side, that it's not all stimulative, that it's not going to create jobs. This is how The Washington Post editorialized about it this morning: "Some in Congress and the new administration apparently see the country's present recession as an opportunity to change the federal government's spending priorities more generally or simply to reward loyal political constituencies. ... Helping" dire, equip--helping "hire," rather, "equip and pay police, a \$4 billion item under the bill, might be a good idea, but writing checks to individual households for the same amount would do more to stimulate the economy. Ditto for \$16 billion in Pell Grants for college students, \$2.1 billion for Head Start and \$50 million for the National Endowment for the Arts. All of those ideas may have merit, but why do they belong in an emergency measure aimed to kick-start the economy?" If the size of the package is important, if the deficit picture this year, projected to be at \$1.2 trillion, is a concern, why not put some of that spending off until later?

DR. SUMMERS: David, respectfully I would disagree with The Washington Post. There are cops being laid off across the country. Saving their jobs is saving jobs, it's helping the economy, it's protecting our neighborhoods. I used to be a college president. There are kids across the country who are losing the chance to go to college, whose families are being forced to put their houses on the market to sell kids--to help those kids go to college, further putting downwards pressure on the economy. I think spending to respond to the extra burdens on financial aid, putting money into the economy for financial aid for college students is a good investment, just like saving the jobs of cops is a good investment. Yes, we do have to provide tax cuts to households, and this program is doing it. What the president has done, and it's really something that he stressed in the inaugural when he talked about responsibility, and it's really integral to his style of leadership, is try to craft a balanced program. There's some in his party who'd like to see this be much more about spending, there are others who don't want to see anything, even preserving the jobs of cops. The president's taking a balanced approach. He's indicated he's open to ideas from any, anywhere. No doubt the precise composition of the package will change as it works through Congress, and the president's very open to the best ideas of all kinds.

MR. GREGORY: Let's talk about tax cuts. About a third of his package is made up of tax cuts. Republicans want more. Specifically there's a question about the Bush tax cuts which, of course, expire next year. Does the president want to actually repeal those tax cuts this calendar year?

DR. SUMMERS: I don't think there's any question they have to be repealed. The country can't afford them for the long run.

MR. GREGORY: So repeal them this year? Because they expire next year.

DR. SUMMERS: What the timing--what the--they expire, expire at the end of next year, and they have to be allowed to expire. What the timing will be, that's something that's going to have to get worked out.

MR. GREGORY: Because the House speaker says do it this year.

DR. SUMMERS: That's something that's going to have to get worked out through the legislative process. MR. GREGORY: All right.

DR. SUMMERS: There's no question that the president's been very emphatic about this, as he was very emphatic during his campaign, that they can't be part of...

MR. GREGORY: OK, but timing is important.

DR. SUMMERS: They can't be, they can't be part of the long-run budget picture.

MR. GREGORY: Well, understood. But...

DR. SUMMERS: And it's a timing--it's something that's going to be--that's something that's going to be worked out in the course of the...

MR. GREGORY: But what's his position, repeal them this year?

DR. SUMMERS: ...in the course of the legislative, legislative process. The president has made clear they--that the question of timing is one we're going to have to reach as we see how the economy unfolds...

MR. GREGORY: Yeah.

DR. SUMMERS: ...as Congress reaches its judgments. But they're not going to be with us for long.

MR. GREGORY: Why not? Why not? Conservatives make the argument, why would you want to raise taxes--if you repeal those tax cuts, taxes do go up on upper-income Americans, primarily. Why would you want to raise taxes right now? Why not put that expiration date off into, say, 2013? Why is that a bad idea?

DR. SUMMERS: Put the expiration date off into...

MR. GREGORY: 2013.

DR. SUMMERS: ...2013? First, it's a bad idea because we simply can't afford it. The president's inherited a trillion-dollar deficit, and a deficit with a baseline that is terrible as far as the eye can see. We've got to spend money now while we have a recession, while we've got this serious economic crisis, but as soon as the economy recovers we are going to have to find ways of getting the government's finances under some kind of control. Second, we have to focus on, frankly, the parts of the economy that need help. If you look at what's happened over the last 10 years, the incomes of middle-income families have barely or kept up with inflation, or in many, many cases fallen behind inflation. The people who are the beneficiaries, the small minority, a little over 1 percent of the population that are the beneficiaries of those tax cuts have actually seen their incomes rise much more, much more rapidly. And so I think it's a pretty clear question of priority as to where the, where the assistance needs to be channeled.

MR. GREGORY: But you say...

DR. SUMMERS: But understand this, the president has vowed that there will be tax cuts for more than 95 percent of Americans, for all working families with incomes below \$250,000. They will see their taxes cut, they will not see tax increases.

MR. GREGORY: Well, let me just press you on this point. You say we can't afford to let those Bush tax cuts expire later, but we can afford to, to spend up to \$700 billion for the tax cut that you like?

DR. SUMMERS: We can--we--it's a good question. We certainly can afford to do what is necessary now to stimulate this economy, to put money--frankly, when you put money into the hands of middle-class families, history and experience suggest that they spend a substantial part of it, pushing the economy forward. When you put money into the hands of those with very high incomes, only a much smaller fraction of it is spent and so you derive much less benefit in terms of pushing the economy, in terms of pushing the economy forward.

MR. GREGORY: We have a few minutes left. I want to talk about the banking crisis in this country. First question, \$700 billion has been dedicated to shore up the country's failing banks. Will more money be needed down the road?

DR. SUMMERS: We're gratified that Congress has given the president the authorization he needs to unlock that \$700 billion that the Bush administration had worked with Congress to create. The president's financial recovery program's going to be very different than what we've seen

so far. It's going to emphasize transparency, it's going to emphasize accountability; perhaps most importantly, the focus isn't going to be on the needs of financial institutions. Of course we need to stabilize financial institutions. Without a stable financial system, the economy can't work. But the priority has to be getting credit flowing again so that people can buy cars, so that people can get mortgages...

MR. GREGORY: Right.

DR. SUMMERS: ...so that the economy will operate. Secretary-designate Geithner we expect will be sworn into office very soon, and when he is, soon after he will be laying out the plans and principles behind our approach. We believe we can make important progress...

MR. GREGORY: All right, but I want, I want to get to this point. Do you think we'll need more? You know the state of the finances of these banks. Will more money be needed? Do taxpayers have to expect that we're not done paying yet?

DR. SUMMERS: We can make important progress and get started with the support that has been provided. What ultimately will be necessary is something that will play out over time. The president has made clear that our administration is going to be leaning forward, that we're going to be proactive and that he is prepared to do what is necessary, but only to do what is necessary in the context of responsibility...

MR. GREGORY: So it's possible.

DR. SUMMERS: ...in the context of trust...

MR. GREGORY: Right.

DR. SUMMERS: ...things we've seen too little of in recent years.

MR. GREGORY: How do you get the--there's a lot of questions about what they've done with the money, what the banks have done with the first \$350 billion. The government is effectively the owner of most of America's banks. If they're not lending, why can't you just make them lend?

DR. SUMMERS: Government's much more--it's ironic, frankly, that the previous administration, with all of its emphasis on free markets and all of that, brought the country to a point where the government was much more heavily involved with the banking system, much more involved with companies in general than government ever has been before under any administration since the second World War. But it's, it is really not right, David, to say that the government is the owner, in any sense, of the banks. The government has bought what's known as preferred stock, the government has lent money in various ways. But with the exception of a very few institutions where the FDIC has intervened, the government doesn't have ownership rights. One...

MR. GREGORY: But it has the ability to affect how much capital they keep on, on their balance sheets, it has the ability to say to them, "This is how you should operate." And it could, in effect, make them lend if it wanted to.

DR. SUMMERS: Sure.

MR. GREGORY: No?

DR. SUMMERS: Sure it does. Who knows what it could do. It wouldn't be...

MR. GREGORY: Right. But why not do that, if that's the concern?

DR. SUMMERS: It wouldn't be, it wouldn't be responsible for an institution that can't contain confidence, can't maintain any confidence right now to raise its, raise its lending without having capital. Frankly...

MR. GREGORY: So they need more money.

DR. SUMMERS: ...that's why we need--frankly, that's why there needs to be more capital in the system. That's why this...

MR. GREGORY: Right.

DR. SUMMERS: ...\$350 billion is so important. Because of course the institutions need to lend more, but they need to lend more in a way that's consistent with their solvency. And that means that crucial is capital adequacy and increased lending. And that's why we focus on the flow of credit, and capital adequacy is part of what you do to maintain the flow of, of credit and permit the increased lending that I think everybody agrees that the economy requires.

MR. GREGORY: Final question here, I want to bring this back to the anxiety that real people all around the country, people watching this are facing; not just those on Wall Street. What do you say to somebody who's trying to prepare for their future? Maybe it's a couple that's--wants to send their child to college in five years, they've been saving in their 529, perhaps they've lost a lot of money in the markets and they have lost confidence, and they're thinking, "I'm five years away from sending my son or daughter to school. What do I do?"

DR. SUMMERS: This is, I believe, why President Obama was elected. And this is why his call for an age of responsibility in what government does

for all of us as we manage our own finances, as we do our own jobs is so, is so very important. People need to work hard, they need to play by the rules, and those of us with responsibility for economic policy need to do everything we can to make this economy work. And I've got no doubt that our economy's best days are well ahead of us. We are--we still are as productive as we ever were. Our workers are still as creative, as productive, as educated, as strong--our entrepreneurs--as they've ever been. But we do have a problem in the system right now. That's why we need to take extraordinary actions, and that's why--and maybe this is a good last thought. There are differences on the tactics--how much spending, how much taxes, just how you address the banking system--but I, I hope that we can compromise those differences and move forward quickly.

MR. GREGORY: It's going to get worse, though, before it gets better.

DR. SUMMERS: It--the next few months are, no question, going to be very, very difficult, and, and it may be longer, it may be longer than that. But there's also no question that if we pursue the policies we need to, if we expand this economy with invest--with crucial investments, if we help the financial system recover, if we concentrate on, on housing, that our economic strength is going to be renewed with great benefits for the American people, and for American in the world.

MR. GREGORY: All right, Dr. Larry Summers, good luck in your work.

DR. SUMMERS: Thank you.

MR. GREGORY: Thank you very much.

Coming next, the response from the Republicans. Their leader in the House, Congressman John Boehner, weighs in right here, only on MEET THE PRESS.

(Announcements)

MR. GREGORY: More on the economy. Congressman John Boehner weighs in for the Republicans after this brief station break.

(Announcements)

MR. GREGORY: House Republican leader John Boehner, welcome back to MEET THE PRESS.

REP. JOHN BOEHNER (R-OH): David, thank you.

MR. GREGORY: You've just heard from Larry Summers. You're going to be meeting with the president on Tuesday with fellow Republicans to say, "Hey, we've got some different ideas." What don't you like about this stimulus plan?

REP. BOEHNER: I just think there's a lot of slow-moving government spending in this program that won't work. We know that there's an ailing economy, and Democrats and Republicans agree to that. I think there's agreement between Democrats and Republicans and the president that we need to help our ailing economy, we need an economic rescue package. But we all want one that works; the one that helps small businesses, helps American families, helps create jobs and preserve jobs in America. And what we see with their plan is a lot of spending that I just don't think will work. And so we expressed our concerns to the president on Friday. Eric Cantor, who I had set--had put together a working group of House Republicans, outlined some of our proposals that we think will work better. Let's allow American families and small businesses to keep more of what they earn. Let's make sure that there's incentives for people to invest in our economy, because government can't do this. As you said earlier, there's a \$2 trillion hole in our economy this year. Government can't fix this. We can't borrow and spend our way back to prosperity. But what we can do are provide incentives to businesses and families to reinvest in our economy.

MR. GREGORY: Well, let me stop you there, because you say that you can't borrow and spend. Of course, government has done this for a long time when they need to. The reality right now is if you want Americans to spend, they're not doing it. They're worried about their jobs, they're worried about the value of their homes. They're not spending money, they're not borrowing money. They're actually doing the prudent thing right now to do in a downtime, which is to save and to pay down debt. Doesn't the government have to be the spender of last resort?

REP. BOEHNER: Yes, but it's a matter of how we do it. If we allow American families to keep more of what they earn, they're going to save it, invest it or spend it, all of which are good for the economy. And our plan would allow American families, joint filers to keep almost \$3200, up to \$3200 of their money. They can, they can help multiply the economy, get the economy moving again if the money's in their hands. And this is a--this is why we have Democrats and Republicans in this country, because we do look at these things differently. They believe that all of this spending's going to help. Some of it on infrastructure, if you can get it out the door quick enough, will help.

MR. GREGORY: Mm-hmm.

REP. BOEHNER: But spending 44--or \$200 million to fix up the National Mall, \$21 million for sod, over \$200 million for contraceptives, how does this going to fix an ailing economy?

MR. GREGORY: The administration will say, "Look, we have to take the opportunity here to invest in the kinds of things that will help the economy once there is a recovery." I remember the previous president, George Bush, saying the same thing in the energy sector back when he came

into office, and he was resisted. What's wrong with making some long-term plans?

REP. BOEHNER: I can, I can agree with some of the long-term plans. And on the energy side I may not be in full agreement, but it's generally moving in the right direction. But providing \$300 billion of this package to states--\$166 billion in direct aid to the states, another \$140 billion in education funding--this is not going to do anything, anything to stimulate our economy, to help the--our ailing economy. And so at the end of the day, it has to be targeted. It's about preserving jobs and creating new jobs.

MR. GREGORY: Do you think the Bush tax cuts, which as I just talked about with Larry Summers will expire next year, do you think the administration will repeal them this year?

REP. BOEHNER: I've got my doubts whether they'll be bold enough to do that. They may wait till next year. But raising taxes on anyone in an ailing economy is wrong. And the fact is, is that the upper income people they talk about, 75 percent of them are small business people who pay ordinary income tax rates. And to tax small business, the engine of job growth in America, is, is really just not a very good idea.

MR. GREGORY: You talk about bipartisanship. The president's talked about that. You--there was a meeting with the leadership in the White House on Friday. This is how Politico reported one of the exchanges: "President Obama listened to Republican gripes about his stimulus package during a meeting with congressional leaders Friday morning--but he also left no doubt about who's in charge of these negotiations. 'I won,' Obama noted matter-of-factly, according to sources familiar with the conversation." You don't have a lot of leverage here as Republicans. Do you think it's possible that the stimulus will pass the House without Republican support?

REP. BOEHNER: Well, Republicans believe that we have a difficult economy. We believe that we need an economic rescue plan that helps American families and small businesses, and one that will work. And right now, given the concerns that we have over the size of this package and all of the spending in this package, we don't think it's going to work. And so if it's plan that I see today, put me down in the no column.

MR. GREGORY: And Republicans, rank and file, will fall in line?

REP. BOEHNER: I think a lot of Republicans will vote no, because they see this as a lot of wasteful Washington spending, padding the bureaucracy and doing nothing to help create jobs and preserve jobs.

MR. GREGORY: But what about your constituents? Look at this new Gallup poll that shows support for President Obama among Republicans--the overall number, 68 percent approval rating; 45 percent approval rating among Republicans as opposed to 28 percent who disapprove. President Bush never enjoyed those numbers among Democrats.

REP. BOEHNER: Listen, we, we've made it clear we want to work with the new president. He's made clear he wants to work with us. That's why we laid out our ideas at his invitation the other day. And we want to continue to work with him to help fix this economy. David, this isn't about Democrat or Republican at this point. We have some serious problems in our economy. And believe me, all of us want the president to succeed. We want this plan to work. Now, there's no real daylight between the president and Republicans on the Hill. There may be some disagreement over how much spending or how much in the way of tax relief. But at the end of the day, we want him to succeed because America needs him to succeed.

MR. GREGORY: I should also note that I think the president did have--President Bush had high ratings among Democrats after 9/11, just to put that on the record.

Let's talk about the banking crisis. You said this week--this is the bailout money to help banks in this country who are losing money in a very difficult situation. You said we need an exit strategy from the bailout plan known as the TARP. Why?

REP. BOEHNER: Well, at some point we need to understand how we're going to, how we're going to preserve taxpayer funds, how we're going to begin to withdraw those funds at some point. Understand that I voted for this plan back in late September because I thought there was a credit crisis in America, we needed more capital in the system. But--and so I, I corralled votes and I took an awful lot of hits for it. But I've been rather critical over the last three or four months in terms of how it was spent; the lack of transparency, the lack of accountability. And now they want the second half of this money, no demonstrated need and no plan for what they're going to do with it. And I just...

MR. GREGORY: You say no demonstrated need; the banks are woefully undercapitalized. Do you disagree with that? You think they don't need money?

REP. BOEHNER: The banks have, the banks have problems. But the administration need to comes to us and say, "All right, here's the problem, and here's what we're going to propose to do with this extra \$350 billion." And you know, in this whole debate, whether it's the troubled asset relief program or this economic recovery package, somebody has to be looking out for the taxpayers. And I'm going to tell you what, Republicans are going to be there to look out for American taxpayers.

MR. GREGORY: Let me turn to the issue of the executive order that the president signed to close down the detention center at Guantanamo Bay, Cuba, within a year. Is that realistic?

REP. BOEHNER: I don't believe so. And I've got concerns about it. I understand the problem with Gitmo, and, and the black eye that it's given us,

but President Bush wanted to close down Gitmo, too. So did Senator John McCain. And the reason that Gitmo's still there is they couldn't determine, what do you do with these 270 prisoners? Some of them, you might be able to release, but we've already found 61 of those that we released back on the battlefield. You don't want to bring them into the United States, where all the sudden they have rights of U.S. citizens. We have to remember, these are terrorists who, who have attempted to kill Americans. And, and unilaterally saying we're going to close Gitmo in a year, without knowing how we're going to deal with them, where we're going to house them, how we're going to try them, I think keeps a campaign promise but may be irresponsible.

MR. GREGORY: Do you think that the president is making America less safe in taking this step?

REP. BOEHNER: We don't know where the prisoners are going to go, and, and--nor how they're going to be tried. You know, if, if the liberals in America believe that Gitmo ought to go, then maybe we ought to just open Alcatraz and move those prisoners there.

MR. GREGORY: Now it's a national park and not really suitable for prisoners, however.

REP. BOEHNER: It's very secure.

MR. GREGORY: Let me ask you, before you go, about the future of the Republican Party. What is the way back?

REP. BOEHNER: The way back is to be able to communicate with the American people about who we are and what our principles are. You know, the principles I grew up with are the principles of the Republican Party, even though I grew up as a Democrat. And I've got 11 brothers and sisters, my dad owned a bar. I've had every rotten job there was in America, but thankful that I had each of those jobs. And, and you know, most Americans think that if you work hard, you play by the rules, you got a really good chance of getting ahead. And, and I don't want our party to be the party of no. I want our party to be the party of better ideas, better solutions. There are issues, a lot of issues that Americans are concerned about, and I think as a political party we have to be willing to put out--either work with the administration, work with our colleagues on the other side of the aisle or, if we disagree, then what's our better solution for the American people? And at the end of the day, I do think we have some better solutions. And over the coming months, I think the American people will see more of them.

MR. GREGORY: And in the meantime, are you rooting for President Obama?

REP. BOEHNER: I am, because we need him to succeed. America needs him to succeed. We, we are, we are facing the most difficult challenge that we've faced over the last 50 years. It's important that, that America wins, and that means everybody in this town needs to work together to ensure that we help America win this fight that we're in.

MR. GREGORY: Congressman Boehner, good luck to you in your work as well.

REP. BOEHNER: Thank you.

MR. GREGORY: Thank you very much.

Coming next, week one for the new president: making his move on the economy, foreign policy and more. Insights and analysis from our roundtable: Tom Friedman, Stephen Hayes and Michele Norris, all here, only on MEET THE PRESS.

(Announcements)

MR. GREGORY: We are back and joined by Stephen Hayes of The Weekly Standard, Tom Friedman of The New York Times and Michele Norris of NPR.

Welcome to all of you. Glad to have you here.

MS. MICHELE NORRIS: Good to be here.

MR. STEPHEN HAYES: Good to be here.

MR. GREGORY: So here was a cartoon that struck us from The Oregonian newspaper. It's President Obama at his desk in the White House there, and you see all the stuff on the floor. Here's the caption: "He left me a very nice note, but he forgot to clean out his desk." Lots of problems.

Michele Norris, the economy is job one, and we've heard from Larry Summers and Congressman Boehner, these are tough issues.

MS. NORRIS: And he laid it out just how tough they were. I mean, I was struck listening to him doing his inaugural address, how somber the language was in, in really explaining to people that the worst is yet to come; saying it once, saying it twice...

MR. GREGORY: Mm-hmm.

MS. NORRIS: ...saying it three times. I mean, the difficulty that he has--that he faces now is that the "Yes we can" president has to convince the "No we won't" Republicans that they need to sign on to the stimulus package. He's got a lot of capital at this point. He made that clear when he sort

of exercised that great confidence in that room when he met with Republicans this week. But there's a lot of negotiating that has to go on, and it, it--the, the focus on the stimulus package, the focus on infrastructure, the vulnerability that he has is, is the things that we just heard Congressman Boehner talk about.

MR. GREGORY: Right.

MS. NORRIS: Some of the social programs, in making good on some of those promises that he made throughout the campaign to focus on education and health care and some of these other social issues, and to funnel money to the cities.

MR. GREGORY: And, Tom Friedman, there's also a psychological problem here, which is that the government is saying to consumers here in America, businesses in America and around the world, "We need you to do something you're uncomfortable with. You know, you're doing the prudent thing now, you're saving money, you're not spending as much, you're not borrowing the way you used to, which got us into the mess, but we need you to do those things right now because we're in a lot of trouble."

MR. TOM FRIEDMAN: Well, I think consumers understand, all voters and savers understand there is something new here. We, we haven't been to this play before. And I would say it's because this economic crisis combines four things at a scale we've just never seen: We've never seen this much leverage from this many institutions, on a global basis, wrapped in this much complexity--derivatives these guys didn't understand when they were going up, let alone when they're going down--and it was all started in American. Not Thailand or Korea or Mexico, where we can protect ourselves, but started here. And when it starts here, no one can protect yourself. I tell you, you take this much leverage, wrap it in this much globalization, in this much complexity and start it in America, and grandma's investing advice doesn't apply. Everyone who bought on the dips has gotten creamed.

MS. NORRIS: Right.

MR. FRIEDMAN: And that's why--I've said this before, I will say it again: This moment we're in right now reminds me of that moment in the movie "Jaws" where Roy Scheider first sees the great white shark and he walks up to the captain's cabin, his eyes wide with fear, and he says, "You're going to need a bigger boat." We're going to need a bigger boat.

MR. GREGORY: And, Steve Hayes, to that point, not only is the boat already huge, \$2 trillion worth of stimulus or bailout spending since February of 2008 if this package passes in February of 2009--in 12 months, \$2 trillion--and there's more talk of more money to help the banks in the future. Conservatives may have to leave their conservative principles at the door here.

MR. HAYES: Well, I think that the risk for the Obama administration at this point is that they buy this bigger boat and then buy all sorts of other smaller boats and give them to political interests.

MR. GREGORY: Hm.

MR. HAYES: And that, I think, is a concern, and you heard John Boehner talk about it. And I think that is--when you're looking at the situation we're in, and I agree with Tom in his basic assessment of it, you're talking about fundamentally reorienting the relationship between the U.S. government and its citizens in terms of what the citizens are being asked to do. And the fact that this happened under a Republican president, at least initially in terms of the bailouts, in terms of the TARP, you can take The Oregonian cartoon, actually, and say, "Yes, he left President Obama with a lot to do."

MR. GREGORY: Mm-hmm.

MR. HAYES: But he also, in, in effect, gave him tremendous cover with which to do it. This is a Republican administration. And you hear Obama administration representatives talk about the opportunity. They keep using the word opportunity...

MR. GREGORY: Right.

MR. HAYES: ...to do the kind of big things that he campaigned on, and that's a problem for Republicans.

MR. GREGORY: There are big challenges in the Middle East as well, and the president spoke about them with his new secretary of State, Hillary Clinton, at the State Department; a very symbolic move. He goes to the State Department with the vice president and says, "Diplomacy is back."

And, Tom Friedman, when he spoke about the fighting in Gaza between Hamas and Israelis, wasn't a lot of distance there between how President Bush spoke about it and how President Obama speaks about it. But time is running out. And you write this in your column this morning in The New York Times: "We're getting perilously close to closing the window on a two-state solution, because the two chief window-closers--Hamas in Gaza and" the financial--sorry, "the fanatical Jewish settlers in the West Bank--have been in the driver's seats. Hamas is busy making a two-state solution inconceivable, while the settlers have steadily worked to make it impossible." Enter President Obama.

MR. FRIEDMAN: Well, you know, this is going to be an enormous challenge, because I think we are at a stage right now in the Arab-Israeli peace process, David, where only presidential leadership is going to make a difference. I'm a huge fan of George Mitchell. He did--he's been appointed

now the Middle East special envoy. I think he can set the table for a lot. But ultimately, Obama is going to have to get involved if he really wants to break the deadlock, because we're in a very different situation right now. The parties have never been more broken. If you want to be a peace maker today, it's not the days of Henry Kissinger; you fly to three capitals, talk to three kings, dictators or prime ministers, you strike a deal. Right now Hamas and Fatah on the Palestinian side is completely broken, you got to do nation-building between them. Second thing you're going to have to do is bring Hamas somehow into a Palestinian national unity government, otherwise the Palestinians are not going to make a decision. And lastly, you've got Iran lurking back there and Syria, so the next--or Secretary of State Clinton, the next president's going to have to think about how we bring them in or isolate them. It's so much more complicated. I don't believe it can be done without real presidential involvement, and that's going to be very hard for a president whose job one right now rightfully is focusing on nation-building in America, not nation-building in Palestine, Israel.

MR. HAYES: And it's going to be, I think, particularly hard because of the things that President Obama has said about Hamas in the past. If you remember back in April, Jimmy Carter made a trip, he, he met with Hamas leaders, and Barack Obama said, "Hamas is a terrorist organization. Hamas is not a state." So to bring them in at this point, even after he's said that he was willing to meet with rogue leaders, it seems to me he's going to have to back off from those comments that he made back in April. That's going to be, I think, very difficult for him to do, not least of which because he's going to have Republicans and Jewish leaders say...

MR. GREGORY: Right.

MR. HAYES: ...this is a problem.

MR. GREGORY: And...

MS. NORRIS: There was one thing, though, that was symbolic this week, though. The first phone call he made on his first day in office was to Mahmoud Abbas. He called him before Ehud Olmert.

MR. GREGORY: The leader of Fatah on the Palestinian West Bank.

MS. NORRIS: And--yes, exactly. Exactly. And that was--you know, even though he said that "my first order of business is going to be focusing on the economy," the fact that that was the first call he made sent an important...

MR. GREGORY: Right.

MS. NORRIS: ...and potentially potent symbol in that part of the world.

MR. GREGORY: And you talk about symbolism. This was a portion of his inaugural address where he mentioned, I think, for the first time the Muslim world. Watch this.

(Videotape, Tuesday)

PRES. OBAMA: To the Muslim world, we seek a new way forward based on mutual interest and mutual respect. To those leaders around the globe who seek to sow conflict or blame their society's ills on the West, know that your people will judge you on what you can build, not what you destroy. To those, to those who cling to power through corruption and deceit and the silencing of dissent, know that you are on the wrong side of history, but that we will extend a hand if you are willing to unclench your fist.

(End videotape)

MR. GREGORY: What struck you about that, Michele?

MS. NORRIS: Several things struck me about that. First, the difference in tone from the last two inaugural speeches that we've heard. "New way forward," big questions marks, big question marks there; we don't know exactly what, what that means. But talking tough, but at the same time extending a hand through the kind of language that says, "We are willing to work with you. We are willing to sit down, we are willing to engage with you." He said that throughout the campaign. Many people expected--and, and there was some, as I understand, tension within the incoming administration about the language that he should use there, whether it should be inclusive, whether he should use that pulpit on that day to say exactly that. Clearly, he decided that he wanted to send that message and it was important to do that.

MR. GREGORY: But, Steve Hayes, it's still an interesting question. I've heard Republicans say, "We'll see how much different Obama one is from Bush two," in terms of diplomatic approach to the rest of the world.

MR. HAYES: I, I think that, that is a key point. I think you're much more likely to see tremendous continuity across the spectrum of foreign policy issues, whether it's on how to deal with, with rogue states. I mean, people have, I think, a misimpression that the Bush administration under Condoleezza Rice as secretary of State was not engaged with diplomacy with Iran, was not engaged with diplomacy with North Korea. Now, I don't think it was terribly successful, but it was happening. So I think you're much more likely to see it. You're likely to see it, I think, at a stepped-up level.

MR. GREGORY: Mm-hmm.

MR. HAYES: But this is much more about continuity, I think, than it is about dramatic change, as we--as we were led to believe in the campaign.

MR. GREGORY: Tom Friedman, one of the new realities for a new president is governing is different than campaigning. The New York Times reports about it this week with the headline, "Great Limits Come With Great Power, Ex-Candidate Finds: Mr. Obama spent his first few days in office rolling out an orchestrated series of executive orders intended to signal that he would take the nation in a very different direction from his predecessor, George W. Bush. Yet he wrestled with fresh challenges at every turn. ... It did not take long for the new president to discover that there were limits to his power to turn his campaign rhetoric into reality." Case in point, Guantanamo Bay; wants to close it down within a year. It's something John McCain would have done as well. But as he's admitted, it's not so easy.

MR. FRIEDMAN: It's not so easy. It's, it's clear, though, David, we do need a rule of law framework that is both legitimate, transparent and has a degree of consensus in this country that can govern the new war we're in from apprehension of, of terrorists and terror suspects to detention to interrogation to prosecution to release. And we've been kind of making it up as we've gone along, and I, I have some sympathy for that. It's been a very complicated problem. But I think now is a good time to step back, but to do it in a, I think, sober way. We need to remember always, I think, three things: who we are, first and foremost, and that we be true to that. We also have to remember who they are. These are not the poor and crippled newsboys we're fighting, OK? This is not the KGB. This is a very different enemy that chops people's heads off and puts it on the, on the Web, OK? And lastly, I think we do have to remember one other thing: one more 9/11, one more massive attack inside this country, and that's the end of the open society as we know it. You'll be taking off more than your shoes at the airport. So I think we got to balance all those things. I'm glad the president's saying let's start over. He's, he's carved himself some wiggle room in there, too, by saying, "We're not going to torture anymore, but we're going to bring the experts together and let's figure out exactly how we do this." I think you can do it in a year. I, I, I admire him for taking this step.

MR. GREGORY: And it is interesting, because he's left the door open, Steve Hayes, for some of the harsher interrogation techniques to still be used by the CIA; even though they're saying it's got to be--interrogators should use the Army field manual, there's still the opportunity to use those other techniques. So the question is, if Democrats had been faced with 9/11, a Democratic president, would they have made different choices or not?

MR. HAYES: Right. That is--I think that is a key question, and hopefully we will never find out. But what's interesting about the, the situation he finds himself in with this loophole, in a sense, that he's created...

MR. GREGORY: Right.

MR. HAYES: The Wall Street Journal called it the "Jack Bauer exception"--the need to use harsh interrogation techniques, perhaps, if an attack is imminent--we don't yet have an answer from him as to whether he will use it, whether he would use those techniques. And we heard a lot of rhetoric on the campaign that such things were abhorrent, and this was really, I think, part of the foundation of the criticism for the Bush administration. It's interesting to me and I think a sign of, of just how difficult governing is going to be that he has not closed that loophole and, in fact, has deliberately left it open.

MS. NORRIS: I think the lawyers call that purposeful ambiguity.

MR. GREGORY: Yeah, right.

MR. HAYES: That's right.

MR. GREGORY: But, Michele, let's talk about the fact that lobbyists are right up there with journalists and lawyers right now in terms of their favor in the city under this new administration. This is what then candidate Obama said--this was in November of 2007--about lobbyists.

(Videotape, November 10, 2007)

PRES. OBAMA: I am in this race to tell the corporate lobbyists that their days of setting the agenda in Washington are over. I have done more than any other candidate in this race to take on the lobbyists, and I have won. They have not funded my campaign, they will not work in my White House and they will not drown out the voices of the American people when I am president.

(End videotape)

MR. GREGORY: On day one, in fact, he comes in, signs an executive order. This is how The New York Times reported on it: "In what ethics-in-government advocates described as a particularly far-reaching move, Mr. Obama barred officials of his administration from lobbying their former colleagues 'for as long as I am president.' He barred former lobbyists from working for agencies they had lobbied within the past two years and required them to rescue themselves from issues they had handles during that time."

But then word comes that, in fact, the administration granted an ethics waiver for a Defense Department nominee who was, in fact, a former defense lobbyist for Raytheon; it's Bill Lynn to be deputy secretary of Defense. Critics pounced, including John McCain, who said this: "I'm disappointed in President Obama's decision to waive the 'revolving door' provisions of the executive order. ... While I applaud the president's

action to implement new, more stringent ethical rules, I had hoped he would not find it necessary to waive them so soon." What happened?

MS. NORRIS: The waiver, the waiver is clearly--it's spelled out if you read the directive, the ethics directive. It's clearly spelled out in there. If you judge Barack Obama by the statement that you aired there, which I believe was from November of 2007...

MR. GREGORY: Right. Mm-hmm.

MS. NORRIS: ...this would be a clear case of someone going back on a promise that they had made to voters. In fact, his language had evolved throughout the campaign from saying, "Oh, lobbyists will never work in my White House" to "A lobbyist may be involved in the government only under certain conditions," to the, the moral directives and the ethics directives that we saw this week. This is an interesting first case for them to make a waiver on this exception with someone who so clearly is going to be working in the arena where he obviously lobbied.

MR. GREGORY: Right.

MS. NORRIS: They say this is defensible in part because of a particular expertise that this individual has. They've suggested that there may other waivers in the area of national...

MR. GREGORY: Right.

MS. NORRIS: ...national security because of security clearances and again, that issue of expertise. But they do leave themselves open to criticism on this.

MR. GREGORY: Right.

MS. NORRIS: And I do think by choosing this case it's going to be more difficult to, to--you know, lobbyists are all throughout Washington.

MR. GREGORY: Yeah.

MS. NORRIS: The people that move back and forth. This is, though, one step, two step, probably five steps further than any other White House has taken on this particular issue.

MR. GREGORY: Well, before we go, I want to get one thing in; that is Governor Blagojevich in Illinois sat down with my colleague Amy Robach from the "Today" show. He's facing corruption charges, he's also in the middle of a full-scale PR blitz. And he talked about what he may do in the course of his impeachment trial and perhaps trial down the road. This is his conversation with Amy Robach.

(Videotape, Saturday):

MS. AMY ROBACH: You said you've done nothing wrong, but I, I want you to specifically address the allegation at issue, that you tried to profit, that you tried to sell the Senate seat of Barack Obama.

GOV. ROD BLAGOJEVICH: Flat out, completely untrue. And when I have my day in court, I, I will prove that and I will clear my name. And I wish I could begin that process with a fair impeachment hearing, which would begin to show that with witnesses who would be sworn to testify under oath.

I'd like to call the president's chief of staff, Rahm Emanuel. I'd like to call Valerie Jarrett, a high ranking official in President Obama's administration. I'd like to call Congressman Jackson and a whole bunch of other people who will testify under oath that I did nothing wrong in, in relation to picking a United States senator.

(End videotape)

MR. GREGORY: Oh, boy. Tom Friedman, this is the last thing President Obama needs is the Blagojevich trial with his top aides.

MR. FRIEDMAN: I think he should go--he's innocent until proven guilty, but I think his future is on "Saturday Night Live," not in politics.

MR. GREGORY: He actually compared himself in the interview--when he was arrested, he said, "I tried to put it in perspective by thinking about Mandela and Dr. King and Gandhi." So this is a colorful political figure.

MR. HAYES: That's a bit rich. I think he also said that he was being persecuted because he cut taxes for the people of Illinois. So I think...

MS. NORRIS: And made a biblical reference in doing that, yeah.

MR. HAYES: Taken with a grain of salt. Yeah, yeah.

MS. NORRIS: Yeah.

MR. GREGORY: But just to point out, Rahm Emanuel was on the program last week saying he did have conversations with him, but he never felt

that the governor was trying to get anything in return.

MS. NORRIS: Well, this is--it would be unusual if Rahm Emanuel wasn't having some sort of conversation with the...

MR. GREGORY: Right.

MS. NORRIS: ...with the governor of the state, and particularity since Rahm Emanuel seats in--is--holds the seat that Blagojevich once held.

MR. GREGORY: OK, going to leave it there. Thanks to all of you for being here.

And a reminder, you can see more of Governor Blagojevich's first television interview since corruption charges were filed against him, that is tomorrow on "Today."

And we'll have more with our roundtable in our MEET THE PRESS Take Two on our Web site this afternoon. They will share their impressions of Inauguration Day 2009. That's all at mtp.msnbc.com.

That's all for today. We'll be back next week. If it's Sunday, it's MEET THE PRESS.

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