

CNBC

"PRESIDENT OBAMA"

INTERVIEW WITH PRESIDENT OBAMA

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(OFF-MIC CONVERSATION)

JOHN HARWOOD:

14:17:58:00

Mr. President, thanks for joining us.

PRESIDENT OBAMA:

14:18:00:00

Thank you, John.

JOHN HARWOOD:

14:18:00:00

As you know, there's a lot of mistrust in the  
country--

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(OFF-MIC CONVERSATION)

JOHN HARWOOD:

14:18:22:00

Mr. President, thanks for making the time.

PRESIDENT OBAMA:

14:18:24:00

Thank you.

JOHN HARWOOD:

14:18:26:00

As you know, there's a lot of mistrust in the  
country about what the government does, why it

does it. On Friday, the SEC, headed by a chair you appointed accused Goldman Sachs of securities fraud just as the financial regulation reform debate was heating up in the Senate. What do you say to people out there who say there was something fishy and political about that?

PRESIDENT OBAMA:

14:18:48:00

Well, what I'd say is that I gave a speech about financial regulatory reform in 2007. Before our current crisis. In 2008, before we fully knew what this crisis was gonna be. We released financial-- reform-- as a package over a year ago. And so, we're not Johnny Come Lately's to this thing. We've been pushing this hard throughout. And the SEC is an entirely independent-- agency that-- we have no day to day control over. And they never discussed with us anything-- with respect to the charge that will be brought. So, this notion that somehow-- there would be any attempt to interfere in an independent agency is completely false.

JOHN HARWOOD:

14:19:31:00 So, you say categorically no winks, no heads up in advance--

PRESIDENT OBAMA:

14:19:36:00 Categorically.

JOHN HARWOOD:

14:19:36:00 --no signal from anyone--

PRESIDENT OBAMA:

14:19:37:00 Categorically. We-- we-- we found out about it on-- CNBC.

JOHN HARWOOD:

14:19:45:00 Nice. In the 2008 campaign, you got a lot of money, about a million dollars from employees of Goldman Sachs. Your former White House Counsel, Greg Craig (PH) is apparently going to represent Goldman Sachs. In light of this case, do either of those things embarrass you?

PRESIDENT OBAMA:

14:20:01:00 No. First of all, I got a lot of money from a lot of people. And the vast majority of the money I got was from small donors all across the country. And moreover, anybody who gave me money

during the course of my campaign knew that I was on record, again in 2007 and 2008, pushing very strongly that we needed to reform how Wall Street did business.

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And so, there-- nobody should be surprised in the position that I'm taking now, because it's one that I was very clear about during the course of the campaign. As for-- as far as my former-- White House Counsel Greg Craig, he's one of the top lawyers in the country. He has a range of clients. But we have the toughest ethic rules-- that any President's ever had. And the one thing that he knows is-- is that he cannot talk to the White House, he cannot lobby the White House. Once he left the White House, he cannot in any way use his former position to have any influence on us. And so-- neither of those things, I think, are gonna have any bearing on how we move forward on this issue of Wall Street reform.

JOHN HARWOOD:

14:21:02:00

But the circumstance of him representing Goldman

Sachs-- in this case, in light of the-- the federal action, is not a problem in itself?

PRESIDENT OBAMA:

14:21:09:00

No, he-- he's-- he's a top lawyers, who's-- being hired-- to deal with an investigation that's ongoing.

JOHN HARWOOD:

14:21:17:00

Let me ask you a broader question about Wall Street. Should average Americans think about big Wall Street institutions the way that some have come to think about tobacco companies. That is, companies whose core activities are harmful to the country?

PRESIDENT OBAMA:

14:21:34:00

No. I-- I think that-- and I've said this repeatedly, we have to have a thriving financial sector. Because essentially-- part of what's made America so successful is our ability to-- if we've got a dream and we want to go get some financing-- for the next Apple computer. The next iPod, the next-- you know, invention out there, that we are able to go and get investors

to finance our dream-- and make it happen. So, we've got to have a thriving-- and effective-- financial sector.

JOHN HARWOOD:

14:22:10:00

So, it is God's work.

PRESIDENT OBAMA:

14:22:12:00

Well, I think it's very important work. But we also have basic rules of the road in place to make sure that investors, consumers, shareholders, the economy as a whole are protected against excess. Are protected against wild gambles that are taken-- purely-- because it's-- it's good for somebody's-- year-end bonus. As opposed to because there's some economic function that actually-- contributes to society as a whole.

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And I think that-- throughout our history-- there have been times where-- the financial sector swung way out of balance. That's part of what happened-- back in the 1930s, in 1929 after the crash. And FDR came in place and said, "We're

gonna-- set up some rules so that we don't have bank runs. So that there's not wild speculation." We have gotten into one of those places where we need to update those rules of the road.

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And-- if we do so, not only is that good for the economy, not only does it protect consumers and investors, it's also good for the financial sector, because it will rebuild trust. And people will have confidence that when they're dealing with banks, when they're dealing with these institutions-- that-- they in fact are playing it straight, above board, and they're competing on the basis of who's providing the best services and the best products. As opposed to-- who's got-- the most creative accounting rules or-- who's able to concoct-- the wildest derivatives that-- may serve no economic function whatsoever.

JOHN HARWOOD:

14:23:42:00

Some of the institutions and their lobbyists

don't think it would be so good for them.

PRESIDENT OBAMA:

14:23:46:00

Well-- that-- that's not surprising, they've made out very well. Under a regime in which when things were going well, they were making huge profits. And when things didn't go well and everything crashed, taxpayers were left footing the bill. I-- and I think the vast majority of Americans think it is unacceptable to have a situation in which-- you know, tails you win and-- and-- heads I lose.

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And taxpayers have been put in a position where they had to make a choice a couple of years ago. Either we let the entire economy crash because of irresponsibility on Wall Street. Or alternatively, we end up having to pony up money. The-- the core of the Wall Street reforms that we're proposing is to make sure number one that we don't have to bail out firms if they act-- acted reck-- recklessly. That we can unwind them in an orderly fashion that protects the economy

as a whole and taxpayers aren't on the hook.

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Number two, that instruments like derivatives very complicated instruments that are hugely leveraged, and can put everybody at risk what-- Warren Buffet called-- financial weapons of mass destruction. That those are all put-- in-- an exchange, in a clearing house, so that everybody knows exactly what's goin' on. And again, taxpayers are not on the hook.

14:25:04:00

And that we've got very strong consumer protections-- so that we don't have people being fooled or tricked-- into instruments that-- end up putting them in a very difficult financial situation and erode the health of the economy as a whole.

JOHN HARWOOD:

14:25:20:00

When you spoke in New York a few months ago to a lot of those Wall Street executives, you urged them, even in the absence of a law to take to heart the need to change the way they do

business.

PRESIDENT OBAMA:

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Right.

JOHN HARWOOD:

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Have they done that?

PRESIDENT OBAMA:

14:25:32:00

Not as much as I'd like. I mean, look-- I-- I think that-- you don't want to paint with too broad a brush. Each financial institution is different. I do think that there is a sense of now that the crisis is over, let's go back to business as usual. And what I've been saying consistently is we have to change business as usual so that financial institutions are still making a profit. They are still providing excellent service to companies. There's still innovation, there's still dynamism. We want to make sure that the core functions of the free market are working. But that we don't find ourselves in the kind of crisis situation that we-- found ourselves in-- a year and a half ago.

JOHN HARWOOD:

14:26:20:00

Sometimes with all the rhetoric, which is pretty strong on both sides, it's hard to sort out the actual disagreements on policy. On your side, you have said that the other side is-- is trying to weaken the legislation-- at the behest of special interest lobbyists. Senator Lincoln (PH) proposed derivatives rules that went further than what your administration proposed. Does that mean that your administration in the first instance knuckled under to special lobbies?

PRESIDENT OBAMA:

14:26:46:00

No, no, no. I-- I think-- let's-- let's be very clear. This has to do with derivatives. The issue that I just raised. And the core principle that I put forward is that when you've got these complex financial instruments, they should be in a clearing house, an exchange like the stock market, where taxpayers aren't on the hook if one party in that situation goes belly up.

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That the other financial players are the ones who

are covering any losses. That everybody knows exactly what's going on. And if we have that kind of transparency, then those things can potentially serve a function. The United Airlines can hedge against buying-- fuel, because they don't know what oil prices are gonna be like-- six months from now. So, as long as we've got that kind of transparency and accountability, then we are meeting that core principle. I think--

JOHN HARWOOD:

14:27:37:00

Whether or not the financial institutions can own those derivatives.

PRESIDENT OBAMA:

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I-- I think Senator Lincoln has a range of good proposals. In terms of derivatives. I think what we put forward met that core principle. And I'm confident that what we're gonna see in the next several weeks is a bill that at the end enshrines that principle that if you're gonna operate with derivatives, you've got to make sure that you are an open book, everybody knows what's

goin' on, and we're not gonna see a replication of-- the kinds of crisis that we've seen before.

JOHN HARWOOD:

14:28:06:00

Let's talk about taxes. You've got to have a tax bill this year otherwise when those Bush tax cuts expire, taxes will go up for everybody. Is there any way that you would accept either on a temporary basis or a partial temporary basis, the preservation of some of those Bush tax cuts for the top end?

PRESIDENT OBAMA:

14:28:26:00

I don't think we can afford. Look-- I just paid my taxes. And-- and I had a pretty hea-- healthy bill. I'm sympathetic to the fact that people would prefer paying fewer taxes. That's part of the reason why, as part of the Recovery Act, we cut taxes for 98 percent of working families. Because we thought it was important in a recession to make sure people got a little bit of help.

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But as we go forward-- if we are going to be

fiscally disciplined, we've got to do two things. We've got to cut programs that aren't working, and show restraint. And that's why, for example, I put a three-year discretion-- freeze on discretionary spending. Something that previous Presidents had not done. Because we've got to hold the line on-- on spending. And-- I've proposed a range of cuts on all kinds of things.

JOHN HARWOOD:

14:29:12:00 So, if Congress--

PRESIDENT OBAMA:

14:29:12:00 But--

JOHN HARWOOD:

14:29:13:00 --sent you a bill--

PRESIDENT OBAMA:

14:29:13:00 --the flip side of--

JOHN HARWOOD:

14:29:13:00 --extending tax increase-- extending tax cuts for any-- to any extent for those about \$250,000, you'd veto it?

PRESIDENT OBAMA:

14:29:21:00 Well, I-- I'm not gonna get into vetoes right

now. What I will tell you is that it is sensible for us to say that if you make more than \$250,000 a year, going back to the tax rates that existed under Bill Clinton are perfectly fair. For us to extend them would mean hundreds of billions of dollars of lost revenue at a time when everybody says we've got to-- make sure that we're dealing with our deficit.

JOHN HARWOOD:

14:29:47:00

Well, speaking of the deficit, in early 2011, some of your advisors think it's time with the economy getting better for a serious assault on the deficit. Should Americans think of your promise not to raise taxes for anyone under \$2,000-- \$200,000 as lasting for the entirety of your Presidency? You would never accept tax increases for that group? Or is it something for the initial phase of your presidency, now you-- take account again of where the deficit is and make a different decision?

PRESIDENT OBAMA:

14:30:19:00

Here-- here-- here's my bottom line. Over the

last decade, the wages and incomes of ordinary families have flat-lined at best. So, middle class families have been seeing a bigger and bigger burden as health care costs go up, college costs go up. And the fact of the matter is that their wages and incomes fail to match up.

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So, they needed some help. They needed some relief. That's why I wanted to cut taxes for them. Where you've seen huge growth of incomes and wages is at the top end. That's why I think letting the Bush tax cuts phase out made some sense. Now-- the thing I didn't anticipate up until a few months before-- my election was the fact that we were gonna be in such a deep crisis that I'd be inheriting a \$1.3 trillion deficit. \$8 trillion worth of accumulated national debt that-- we're gonna have to deal with. And that's why I've appointed this bipartisan fiscal commission to give me recommendations in terms of how do we deal with this in a serious way moving forward. I-- I-- I don't--

JOHN HARWOOD:

14:31:22:00            So, in effect, that changes the terms of your promise-- in the campaign, because of that-- worsening deafness-- deficit situation.

PRESIDENT OBAMA:

14:31:29:00            No, the-- I believe that we should be able to solve this problem without putting a burden on middle class families.

JOHN HARWOOD:

14:31:35:00            By only taxing the rich?

PRESIDENT OBAMA:

14:31:37:00            I believe that we should be able to make sure that we don't burden middle class families further. Having said that, I'm also going to wait for the fiscal commission to provide me what their best recommendations are. Because-- the one thing that I think all of us agree on is that we are currently on an unsustainable path. And that means that we're gonna have to have a tax system that works better for everybody and is simplified.

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That means that we've got to get control of entitlement reform. And by the way, health care reform went a long way towards doing that. But we're also gonna have to look at social security and-- the other aspects of entitlements. It means that we're gonna have to cut out waste in the system. But at a certain point, what we've got to do is match up money going out and money coming in.

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And right now, we've got a huge structural debt that I inherited and that the recession made worse. We're gonna have to solve that. And that means that I don't want to prejudge what this commissions gonna come up with. I want to take a look and see what they propose.

JOHN HARWOOD:

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If reducing consumption is a good idea, could you see the potential for value-added tax in this country?

PRESIDENT OBAMA:

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You know-- I know that there's been a lot of talk

around town lately about the value-added tax-- that is something that has worked for some countries. It's something that would be novel-- for the United States. And before, you know, I started saying, "This makes sense or that makes sense." I want to get a better picture of what our options are.

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And my first priority is to figure out how can we reduce wasteful spending so that-- you know, we have a baseline of the core services that we need and the government should provide. And then we decide how do we pay for that. As opposed to figuring out how much money can we raise and then-- not have to make some tough choices on the spending side.

JOHN HARWOOD:

14:33:21:00

You say you were gonna pick a Supreme Court choice by the end of May. You've got a lot of qualified candidates out there. But some would provoke bigger fights than other, because of legal decisions, things they've written, their

personal background, whatever. Are you taking account of the size of the fight that a nominee would propose in making your selection, given all the other things you're trying to do?

PRESIDENT OBAMA:

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I think the main thing I'm-- thinking about, as was true when I selected-- Justice Sotomayor (PH) is who can do a great job on the court? Who can look at a range of really complicated issues and adhere to the law-- and-- and fidelity to the Constitution. But who's also somebody who has the kind of life experience-- so that they understand-- how their decisions are impacting ordinary people.

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And-- you're right, we've got some terrific candidates. I'm confident in the next couple weeks, we're gonna be able to make a decision. And it's gonna be somebody who will be confirmable. That-- I think-- both conservatives and liberals-- you know, who are familiar with-- these individuals-- legal background will say are

imminently qualified for the court. And-- I expect-- a smooth confirmation process.

JOHN HARWOOD:

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Last question-- some people-- think you're a little cocky sometimes. So, I'm gonna invite you to be self critical. (LAUGH) You've seen all aspects of the presidency.

PRESIDENT OBAMA:

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Yeah.

JOHN HARWOOD:

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The-- the demands. Private persuasion, public communication, decision-making. What do you think-- are the aspects of the job you're best suited for? What do you need to get better at? And how might that-- change your approach to the job?

PRESIDENT OBAMA:

14:35:07:00

Well-- you know, this last year and a half has been-- I think by any-- any historical standard a-- pretty exceptional year and a half. Where we've had to make some very tough decisions, very quickly-- in less than optimal conditions. We--

we had an economy that was crashing, we had to make some very fast decisions. Some of those decisions were very unpopular.

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When-- when I look at-- what we've done well-- I think the core decisions we've made have been the right ones. And that the economy is in a much better place than-- we would have been if we hadn't made some of those decisions. I think on the foreign policy front-- our basic-- approach has restored America's standing in the world. And you're starting to see concrete progress on things like the Stark Treaty (PH). And-- our ability to-- to mobilize the international community against-- Iran, for example.

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I-- I think what I have not-- done as well as I would have liked is to-- consistently communicate to the general public why we're making some of the decisions that we're making. Because-- you know, the-- the-- media now is so diffuse, there's so many outlets. There's the blogs and

the-- cable and there have been times during the course of the year where it looked like I was out there too much. Then there were times where it looked like I wasn't out there enough.

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You know, my capacity to-- to really connect with-- folks and explain clearly what we're doing and why I think it's best-- is something I was able to do very effectively on the campaign trail. Sometimes when you're in the White House, you feel like you're in the proverbial bubble. And it's hard to break through. And-- and so, one of the things we've been trying to do is to say, "Boy, let's get out of here more often. You know, let's get out-- into-- an Allenville-- Allentown, Pennsylvania. And let's just spend the day there. And go to a job training center and go to a diner."

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And just talk to folk and listen to folks so that people get a better sense not only that-- that we're making smart decisions, but that we're also

hearing them and their voices and what they're going through on a day to day basis. And-- and that I think is something that-- because we've been so rushed over the course of the last year and a half, just issue after issue and crisis after crisis, trying to put out fires, we haven't-- been as effective as I would like.

JOHN HARWOOD:

14:37:39:00 Thanks, Mr. President.

PRESIDENT OBAMA:

14:37:39:00 Appreciate it.

JOHN HARWOOD:

14:37:40:00 Thank you.

14:37:41:00 (OFF-MIC CONVERSATION)

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