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Barack Obama & William J. Clinton

Press Conference on Tax Cuts

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President Obama: I thought it was a slow day, so I've --

Question: Slow news day, huh?

President Obama: -- bring the other guy in.

Obviously, there's a big debate going on about taxes, and about the need to grow the economy and to create jobs. And just about every day this week, I've been making an argument as to why the agreement that we've struck to provide billions of dollars in payroll tax cuts that can immediately help rejuvenate the economy, as well as tax cuts for middle-class families, unemployment insurance for folks who desperately need it, credits for college, Child Tax Credits, as well as a range of business investments credits are so important to make sure that we keep this recovery moving.

I just had a terrific meeting with the former President, President Bill Clinton. And we just happened to have this as a topic of conversation. And I thought, given the fact that he presided over as good an economy as we've seen in our lifetimes, that it might be useful for him to share some of his thoughts.



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I'm going to let him speak very briefly. And then I've actually got to go over and do some -- just one more Christmas party. So he may decide he wants to take some questions, but I want to make sure that you guys hear it from him directly.

Former President Clinton: Thank you very much, Mr. President. First of all, I feel awkward being here, and now you're going to leave me all by myself. Let me just say a couple of things. First of all, I still spend about an hour a day trying to study this economy. And I'm not running for anything, and I don't have a political agenda. I just -- I try to figure out what to do.

I have reviewed this agreement that the President reached with Republican leaders. And I want to make full disclosure I make quite a bit of money now, so the position that the Republicans have urged will personally benefit me. And on its own, I wouldn't support it because I don't think that my tax cut is the most economically efficient way to get the economy going again. But I don't want to be in the dark about the fact that I will receive the continuation of the tax rates.

However, the agreement taken as a whole is, I believe, the best bipartisan agreement we can reach to help the largest number of Americans, and to maximize the chances that the economic recovery will accelerate and create more jobs, and to minimize the chances that it will slip back, which is what has happened in other financial collapses. Like, that's what Japan faced, and it's something that we have to avoid in America.

Why do I say that? First of all, because clearly the extension of unemployment, which gives people a percentage of the income they were previously making, will -- that money will be spent and it will bolster the economy for the next couple of years.

Secondly, the conversion of the Make Work Pay Tax Credit, which the President passed before, which goes to -- went to 95 percent of the American people, converting that into an \$120 billion one-year payroll tax relief act is, according to all the economic analyses, the single most effective tax cut you can do to support economic activity. This will actually create a fair number of jobs. I expect it to lower the unemployment rate and keep us going.

Thirdly, and one thing I haven't seen much about in the reports, this agreement will really help America over the long term, because it continues the credits for manufacturing jobs related to energy coming in to America. And I'll remind you, just in the last two years, there have been 30 high-powered battery factories either opened or presently being built in America, taking us from 2 to 20 percent of the world's share of that. And we're going to probably be at 40 percent by 2014. This is a really important thing, bringing manufacturing back to America, because it's a huge multiplier to create new jobs.

So in my opinion, this is a good bill. And I hope that my fellow Democrats will support it. I thank the Republican leaders for agreeing to include things that were important to the President.



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There is never a perfect bipartisan bill in the eyes of a partisan. And we all see this differently. But I really believe this will be a significant net-plus for the country. I also think that in general a lot of people are heaving a sigh of relief that there's finally been some agreement on something.

But don't minimize the impact of the unemployment relief for working families, of the payroll tax relief, and of the continuation of the incentives to grow jobs, which will trigger more credit coming out of the banks.

Keep in mind, ultimately the long-term answer here is to get the \$2 trillion, which banks now have in cash reserves uncommitted to loans, out there in the economy again, the \$1.8 trillion in corporate treasuries not now being invested out there in the economy again. I think this is a net-plus.

And you know how I feel. I think the people that benefit most should pay most. That's always been my position -- not for class warfare reasons; for reasons of fairness in rebuilding the middle class in America. But we have the distribution of authority we have now in the Congress and what we're going to have in January, and I think this is a much, much better agreement than would be reached were we to wait until January. And I think it will have a much more positive impact on the economy.

So for whatever it's worth, that's what I think.

President Obama: That's worth a lot.

Former President Clinton: I would like to say one other thing on another subject, just to be recorded on the record. They don't need my support on this because we have some good Republican support, including the first President Bush. I think this START agreement is very important to the future of our national security.

And it is not a radical agreement. Boris Yeltsin and I agreed in principle on this same reduction, and there was no way in the wide world he could get it through the Russian Duma that existed at the time in his second term. So we didn't proceed because it couldn't be ratified there. I'm not sure the Senate would have ratified it then, but I think they will not with enough encouragement.

But the cooperation that we will get from the Russians, and the signal that will be sent to the world on nonproliferation, when all these other things are going on which threaten to increase nuclear proliferation, is very important. One of the things you know is that when people fool with these weapons, they're expensive to build, expensive to maintain, and expensive to secure the material that goes into making the weapons.



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This is something that is profoundly important. This ought to be way beyond party. They've worked very hard. They've worked out, in my opinion, the details. And I hope it will be ratified.

Question: Mr. President.

Former President Clinton: Yes.

Question: First of all, a lot of Democrats on Capitol Hill say this is a bad deal; that President Obama could have gotten more. What's your message to them? And then if I could also just ask -- well, go ahead. You can answer --

Former President Clinton: First, my message is, I don't believe that's true because in January, they will be in the majority. And this would dramatically reduce their incentive to extend unemployment benefits, to support the conversion of the Make Work Pay tax credits President Obama enacted into this payroll tax deduction, which as I said, I read all these economic studies. Every single, unbiased, economic study says the best thing you can do if you're going to take a tax-cut path to grow the economy is to give payroll tax relief.

I just got back from a trip to Asia with my foundation. Hong Kong, super free-market place, had a stimulus. Well, I guess we're not supposed to use that word any more. You know what they did? They gave almost 10 percent of the people -- low-income, working people -- two months free rent in public housing. They gave some money to the seniors. But the most important thing they did was payroll tax relief for a year.

This is -- all the people who study this believe it's the number one thing, so I don't believe they can get a better deal by waiting.

And I think the other thing that nobody is talking about, but I'm telling you it's important, I live out there now, and I do a lot of this energy work, these tax credits have made us competitive again.

I didn't see a single story that credited Senator Reid's election with the fact that with three weeks before the election, two new plants were announced in Nevada, which has the highest unemployment rate in the state, a thousand people making LED lights, a thousand people making wind turbines for that big wind farm in Texas, both companies owned by Chinese interests who said in no uncertain terms we're here because you decided to compete with us for the future, and you gave us tax credits so we can pay higher labor costs because we save the transportation costs because of these credits. I don't believe there is a better deal out there.

Question: And then as a follow-up, you mentioned the Republican Congress taking office in January. What was your advice to President Obama today about how to deal with the Congress from the opposition party?



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Former President Clinton: I have a general rule which is that whatever he asked me about my advice, and whatever I say should become public only if he decides to make it public. He can say whatever he wants, but --

Question: What do you think?

President Obama: Here's what I'll say, is I've been keeping the First Lady waiting for about half an hour, so I'm going to take off, but --

Former President Clinton: I don't want to make her mad, please go.

President Obama: You're in good hands, and Gibbs will call last question.

Former President Clinton: Yes, help me. Thank you. Yes, go ahead.

Question: Mr. President, is there anything else that can be done in your opinion to loosen up the private credit markets that have been so tight? I mean if people can't get their hands on capital, how can they be the entrepreneurs that they want to be? And this is something that the Republicans have fought all along. What's the next step?



Former President Clinton: First of all, let me just run through the numbers again. We're not talking about high-risk stuff. That's what the financial regulation bill tries to stop and charges the federal regulators with -- even if the Wall Street banks get -- we all know they have to be able to have more leverage than the traditional community banks tend to want up in the Dakotas or Arkansas or anyplace else.

But let's start with the community banks. If they loan money conservatively, they can loan \$10 for every dollar they have in the bank. If they have \$2 trillion uncommitted to loans, even though some of them may have a few mortgage issues unresolved, most of that mortgage debt has been off-loaded to Fannie Mae or Freddie Mac or has vanished into cybersphere with those securitized subprime mortgages. I don't like the securities, but they happened.



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So what I believe is going on is, first of all, the business community has not come forward as aggressively -- the small business community. And this bill did preserve all those small business incentives that were enacted by the Congress in the previous two years. There are like 16 different measures that give incentives for small businesses to take loans and loan guarantees and that kind of thing.

It appears to me that the community banks, at least, are somewhat uncertain about how the financial reform bill, which I supported, applies to them and what the costs of compliance might be. You remember, the two big things that bill did was to require the federal regulators to monitor every month the big banks that caused the meltdown and to require them to set aside more capital.

And then it set up an orderly bankruptcy mechanism and banned future bailouts. It said -- that bill actually says: If this happens again, the shareholders and the executives have to eat it.

But there's a whole lot of other things in credit cards and other matters that deal with it. I think it is really, really important just to do an aggressive, 100 percent information drench. I mean I would go so far as to do it bank by bank by bank by bank so that everybody knows exactly what they have to do, exactly what it costs and how quickly this can all be resolved.

And then I think it's important to make sure that all these community banks and the people who might borrow from them understand where the small businesses of America are and where the manufacturers are with the various loan guarantees and credits and deductions that are available under these laws.

I still think -- you know, we too often assume that when a law passes, people know it passed, and they know what's in it, and they know how it applies to them. That may not be true in this case because there's been so much activity and so much debate about it that was a debate that occurred in the context of a campaign rather than in the context of, "Let me tell you how this works, come here, let's figure out how to get you a loan." So in my opinion, that's what needs to be done over the next two or three months.

The money is there to get this country out of this mess. Two trillion dollars in the bank is \$20 trillion in loans. Now, there's not that much guaranteed, but there's plenty.

And I also believe the same thing with big companies. We should analyze the situation of every company that at a minimum has got a \$1 billion or more in cash and ask them to be honest with us about what would it take to get you back in the investment business.

These companies clearly have a preference for reinvesting in America, or they'd have put this money somewhere else already. They have got -- it's an amazing thing, \$1.8 trillion in corporate treasuries, 6.2 percent of their capitalized value. It's been since 1964 that they had those kind of cash balances relative to their value.



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So those are the things that I think we have to do now, so I can't answer your question, except the bankers I talked to in Arkansas, in small places that I visit around where I live in New York, they all say, we know we need to ramp up the activity. We got to get the green light about how we're going to comply with these laws, and then we'll go.

And you might be able to actually use your program to do it. You might be able to bring some community bankers on, bring some regulars on, work through this stuff for people. I just think they don't know yet.

Yes.

Question: Some of your fellow Democrats are saying that the President just didn't go in and fight hard enough for his core principles; that he caved in. Politically, some say that he should be a one-term President. Has he damaged not only his own political path, but has he let the party down?

Former President Clinton: I don't believe so. I think -- I just respectfully disagree about that. I think that a lot of -- look, a lot of them are hurting now. And I get it. And you know I did 133 events for them. I believe the Congress in the last two years did a far better job than the American people thought they did, at least the American people that voted in the midterms.

And I went to extraordinary efforts to try to explain what I thought had been done in the ways that I thought were most favorable to them. But we had an election. The results are what they are. The numbers will only get worse in January in terms of negotiating.

And the President -- look, if we had 5 percent growth and unemployment was dropping like a rock, maybe you could have a so-called Mexican standoff, and you could say, it will be you, not me, the voters will hold responsible for raising taxes on middle-class people if they all go down next year. That is not the circumstance we face.

The United States has suffered a severe financial collapse. These things take longer to get over than normal recessions. We must first make sure we keep getting over it. We don't want to slip back down as Japan did.

And in order to make it happen over the long run, that's why the question I was just asked is so good, is we have to go beyond direct investments, whether they're stimulus projects or tax cuts, to private growth. But to get there, we have to achieve a higher level of growth that triggers a confidence. So I personally believe this is a good deal and the best he could have gotten under the circumstances. I just disagree. I understand why -- people have a right to disagree with him. But I disagree.

Yes, sir.



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Question: Mr. President, you've made a number of very effective calls for the health care plan last year. Have you been asked to make any calls to Democratic members on the tax deal? And, secondly, there are a lot of comparisons being made between the '94 election and the 2010 election. Do you think those are analogous? Are they similar situations?

Former President Clinton: It's like all these things -- all of you will be under enormous pressure to develop a storyline. And there are some parallels, and some that are different. And you know, I'm -- I'll let you do that. I'm out of politics now, except to say that I care about my country and I want to get this economy going again.

And I believe that it is necessary for these parties to work together. And I think, for example, the storyline is how well we work with the Republicans and all that. But we've played political kabuki for a year, had two government shutdowns. We can't afford that now. The only reason we could do that is if the deficit was already coming down in a time when interest rates were the problem, and the economy was coming out. People just didn't feel it yet in '94.

We can't afford that. We have got to pull together. And both sides are going to have to eat some things they don't like, because we cannot afford to have the kind of impasse that we had last time over a long period of time. We don't want to slip back into a recession. We got to keep this thing going and accelerate its pace. I think this is the best available option.

Mark.

Question: -- any calls --

Question: Mr. President --

Former President Clinton: Oh, I'm sorry, George, I have not. But in fairness, as soon as the election was over, I took my foundation trip to Asia. Then I came back -- I just got back from the West Coast, doing my annual trip out there. There are people that support the work I do and my foundation. I flew overnight to get here today. And I have to leave again tonight. If I were asked to, I would be happy to talk to anyone. But I have not been asked. But, in fairness, the President didn't have a chance to. He asked me to come down today, because he knew I was going to -- Hillary and I were appearing before the Brookings Saban Forum on the Middle East tonight.

Yes, Mark.

Question: Mr. President, I get the feeling that you're happier to be here commenting and giving advice than governing.



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Former President Clinton: Oh, I had quite a good time governing. I am happy to be here, I suppose, when the bullets that are fired are unlikely to hit me, unless they're just ricocheting. No, I'm glad to be here because I think the President made a good decision and because I want my country to do well. And after the '94 election, I said the American people, in their infinite wisdom, have put us both in the same boat. So we're going to either row or sink. And I want us to row.

Question: Can you give us a Haiti update?

Former President Clinton: What?

Question: Can you give us a Haiti update? I know you were there.

Former President Clinton: Yes. I had a long talk with the Prime Minister today. And he, first of all, has done I think a remarkable job of being a loyal prime minister, but not being involved in the political imbroglio that's going on, except to try to keep calm.

There was a decision made by the electoral council to review the vote in its entirety and to ask some outside observers to come in who are not only credible but knowledgeable. And they will announce exactly how they propose to do that. Today was a pretty calm day. And they expect the weekend to be pretty calm.

We are going to have our commission meeting next week. We may move it to the Dominican Republic. But I think the best thing that we can do for the people of Haiti is to prove that Haitians on the commission, and the donors, are still committed to the long-term reconstruction process, whoever gets elected president.

The best thing they can do is -- everyone understands they had to carry out this election under enormously difficult circumstances. Even getting the ID cards to everybody, as you know, proved difficult, because they were in those tented areas.

But what I can say is it was calmer today. It appears they are going to try to have a recount procedure, which they hope will acquire more support from across the political spectrum. And, meanwhile, we want the commission to keep working.

The World Bank just released about \$70 billion of the \$90 billion in projects we approved four months ago. So that will go in. We'll be hiring more people immediately on those projects. And we're going to approve a lot more projects on the 14th. And that's my focus now.

Yes.



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Question: Mr. President, I have to ask, do you think your appearance here today will help sway votes where they're needed the most right now, among House Democrats?

Former President Clinton: I have no idea.

Question: The reason I ask you that is because a lot of them are sort of antsy. And I know you never used the term back in your first term, but they're antsy about the precedent of triangulation. They're still smarting over that. And your appearance here today might not necessarily push them in the direction that the President wants them to be pushed.

Former President Clinton: That's right, it may not. But I would like to -- you know, I told President Obama, and I'll tell you, you ought to go back and read a lecture that Franklin Roosevelt gave in 1926 before he was the Vice Presidential nominee, before he came down with polio, to his old alma mater [inaudible], in which he discussed the dilemma of the progressive movement in American politics.

I have an enormous amount of respect for the Democrats in the House. And I've already told you I regret that so many of them lost. I think some of our best people lost. And I get where they're coming from.

I can only tell you that my economic analysis is that given all the alternatives that I can imagine actually becoming law, this is the best economic result for America. And I think it is enormous relief for America to think that both parties might vote for something, anything that they could both agree on. And there is no way you can have a compromise without having something in the bill that you don't like.

So I don't know if I can influence anybody. Heck, I couldn't -- you know, I'd go some places and the people I campaigned for won. In some places, the people I campaigned for lost. I don't know. All I can tell you is what I think.

Question: Considering your credibility on the deficit, what do you think about concerns about the short-term deficit and the long-term deficit, and where our country is going?

Former President Clinton: I'm happy to address that because I don't think that -- I don't think I did a good enough job in this election season, obviously, and I'm not sure we did.

The difference between now and when I became President, when we immediately went after the deficit, is quite simple. When I became President, it was after 12 years in which the accumulative debt of the country had risen from \$1 to \$4 trillion. It was the first period in American history when we had ever run structural deficits of any size. And so we were having to pay too much for money. It was costing us a lot to borrow money in the public sector, taking I think it was 14 cents of every dollar on the debt at the time. And it was crowding out the opportunity of the private sector to borrow money, and raising their cost. And that's sparked the recession that we had in the early '90s.



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What happened this time was totally different. This time there was a collapse of a financial system, which took interest rates to zero. Now, I know there's a lot of alarm now. People say, oh, the interest rates went up on bond and in debt in the last couple of days. And they said, oh, is it because of the increase in the -- increasing the deficit in the short term? Is it because of the economy growing? That doesn't bother me. We have to get out of deflation. The biggest problem we have now is deflation.

So, look, I'm a Depression-era kid. I don't like deficits ever, really. We had four surpluses when I was President. That's what I like. I like balanced budgets and surpluses; when you have growth.

But if I were in office now, I would have done what the President has done. You have to first put the brakes on a contracting economy. And then you have to somehow hold it together until growth resumes. When growth resumes, you have to have interest rates higher than zero.

So you should actually -- now, if they get too high, you'll be alarmed. But you should be encouraged that interest rates are beginning to creep up again. It's the sign of a healthy economy, and the idea that there would be competition for money.

I do believe that we'll have to take aggressive and disciplined action to eliminate the structural deficit again. And I think it was a mistake to go back to structural deficits. I think if America were out of debt on a normal basis, and we didn't have to borrow money from our major trading partners, we would have more economic freedom and economic security. So I want to see what comes out of this, but I expect to support some very vigorous actions to eliminate the deficit and get us back to balance.

Yes, one more. I've got to get out of here. Go ahead.

Question: Thank you, Mr. President. Beyond this pending tax deal, there are enormous issues of importance that are unfinished, from education to energy, the deficit. And this is still a very dividing country. Do you think the American people want a President to compromise with the opposing party? And is that a message that you think Democrats are going to have to accept?

Former President Clinton: Yes, but I also believe that it's a message Republicans are going to have to accept. Keep in mind that many of the -- the really interesting thing was -- is that a lot of the hardcore conservatives think the Republicans gave too much. Read Charles Krauthammer's column in the Post today. He's a brilliant man, and he pointed out that they got the divisive tax cuts, but most of them were targeted to middle-class working people -- that's what the payroll tax cut is -- that the unemployment benefits were extended, which some of them did not want to do, and that the American people, by two to one, support them both.



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So there are some conservatives who don't believe in the economic theory I just advanced to you; who believe that the President and Democrats got more out of this than the Republicans did. So I think that's healthy, too, because everybody has got to give a little.

Yes, I think the one thing that always happens when you have divided government is that people no longer see principled compromise as weakness. This system was set up to promote principled compromise. It is an ethical thing to do. In a democracy where no one is a dictator, we would all be at each other's throats all the time, and we would be in a state of constant paralysis if once power is divided, there is no compromise.

Question: What's the political fight worth having? What would you tell Democrats the political fight worth having is right now?

Former President Clinton: Well, I think it's worth fighting against the repeal of the health care law. I would be in favor -- and I can give you four or five things off the top of my head I think should be done to improve it.

I think it's worth a ferocious fight to avoid repeal of the student loan reform, which I believe is the best chance we've got to take America back to number one from number nine in the percent of adults in the world with four-year college degrees.

I think it's worth fighting against repeal of the financial reform and the assurance it gives us that we won't have another meltdown, and if we do, there won't be another bailout.

I think there are a lot of fights worth having, and I presume the Republicans want to fight those, too, since they ran on that. And they'll be able to have these differences. But this holds the promise that after the fights are over, we'll be able to find principled compromises on those areas, as well. And to me that's worth doing.

But first, the economy first. We can't go back into a recession. We have to keep crawling out of this mess we're in. And this is a good first step, both on the substantive merits and on the psychological relief it gives to the American people in general, and the small business people and community bankers and others who can start doing things that will help get better in particular.

Thank you.