

## John Harwood Interviews Barack Obama

*The following is a transcript of President-Elect Barack Obama's interview with John Harwood of The Times and CNBC, as provided by CNBC.*

JOHN HARWOOD, host: First of all, Mr. President-elect, congratulations.

President-elect BARACK OBAMA: Thank you so much.

HARWOOD: Thanks for making time for us.

President-elect OBAMA: You bet. Thank you.

HARWOOD: You've just come from the White House, which, for the last few days, you and your girls have been looking at outside the window of the Hays-Adams Hotel.

President-elect OBAMA: Right.

HARWOOD: How did it feel to be there with the former presidents today and what can you learn from them, especially the current President Bush whom you criticized so strongly in the campaign?

President-elect OBAMA: Well, first of all, President Bush has been incredibly gracious. The transition, I think, has been as smooth as any we've seen in history partly because President Bush and Josh Bolten and his team have worked very closely with ours. And all of the former presidents as well as current President Bush, I think have a unique understanding of what the pressures and possibilities of that office. And so they gave me good counsel, not just on specific issues, but more importantly, some of the typical problems that you may end up confronting in the office. How do you make sure that you get good information? How do you make sure that people aren't just telling you what you want to hear? How do you make sure that people are thinking as a team instead of promoting their own individual agendas. And so I found it very helpful. All of them have insights that I hope to apply when I'm president.

HARWOOD: Any family advice as well?

President-elect OBAMA: Well, I think that I believe in the general theory that if mom is happy, everybody's happy. So the--and I think everybody concurred on that one. I--you know, President Carter and Clinton both had some unique insights because they had younger children when they were in the White House. And, obviously, Malia and Sasha are 10 and seven, and we just want to make sure that we are creating normalcy as much as possible in what obviously is an extraordinary situation.

HARWOOD: Tomorrow you're going to give a speech and talk about your economic stimulus package.

President-elect OBAMA: Right.

HARWOOD: It looks like it's going to be at the high end of your range, around \$775 billion.

President-elect OBAMA: That's correct.

HARWOOD: If it's correct that, as your aides have said, the danger is doing too little rather than doing too much...

President-elect OBAMA: Right.

HARWOOD: ...why stop at \$775 billion? Why not go to the \$1.2 trillion that some economists have recommended? Is that because you think that the political figure of a trillion dollars is too politically charged to get over? Is it because you think more spending would be pork rather than stimulus? Or do you think you've figured out exactly the right amount of stimulus that's needed?

President-elect OBAMA: Well, first of all I think it's important to note that every economist, conservative or liberal, at this point agrees that we have to have a substantial recovery plan that helps to jump-start the economy, that short term it's going to be expensive, but it would be much more expensive to see the economy continue in the tailspin that it's been going in. We've seen ranges from 800 to 1.3 trillion and our attitude was that given the legislative process, if we start towards the low end of that, we'll see how it develops. We are concerned...

HARWOOD: It's going to get bigger.

President-elect OBAMA: Well, we don't know yet. But what we are concerned about is making sure that the money is spent wisely, that there's oversight, that there's transparency. We are going to use this money to temporarily boost the economy, to create or save three million jobs, but also to put some down payments on things that we should've been doing over the last several decades that can help create a more competitive US economy. Examples: making sure that we are doubling alternative energy, and creating much more efficiency in our buildings and in our transportation systems, making sure that we are reducing the cost of health care using health information technologies, building up world class schools so that our children are benefiting and can compete in the global economy. So what we want to do is make sure that any money we're spending is, number one, creating jobs, stabilizing the economy, but also is being used prudently so that when we come out of the current stretch that we're in, we're going to see a stronger economy, a better economy, a more efficient economy.

HARWOOD: A lot of parallels have been offered between yourself and John F. Kennedy, who also made history, came in with a young, attractive family, had a lot of big Harvard brains around him as he began his administration.

President-elect OBAMA: Right.

HARWOOD: We learned during the 1960s that the best and the brightest don't always have it figured out right.

President-elect OBAMA: You've got to watch out for those Harvard guys. They'll get you every time.

HARWOOD: How confident are you that your plan is going to work, and how do you avoid the dangers of being too cocky?

President-elect OBAMA: Well, I think that the approach that we've taken is not just to talk to the usual suspects, but talk to people that traditionally don't agree with me. And when you've got Ronald Reagan's former economic advisers or John McCain's former economic advisers or George Bush's former economic advisers giving you similar advice to what advisers to Bill Clinton or Jimmy Carter are giving you, then you have a sense that, across the political spectrum, there's some consensus.

Now, it's not going to happen over night. This is a tough situation and you know, no matter what we do on reinvestment and recovery, we're still going to have to do some other things to make sure the economy is in much better shape. One of the central things that we're going to have to do is reform how our financial systems work. We've got to get credit flowing again. That means restoring trust, restoring openness in the system. It means that our regulatory frameworks have to be fundamentally reformed, and that's going to be a major package that I unveil over the next several weeks and months. It means that we've got to deal much more seriously with the housing crisis that's taking place and stabilize that. It means that we're going to have to think about how we are approaching fiscal responsibility. And that's why today I announced a chief performance officer that will follow through on my commitment in the campaign to go through the federal budget line by line, page by page and determine which programs are working and what programs aren't, and eliminate programs that aren't working and make the programs that we have work better.

So this is going to be a multipronged attack against the enormous slump that we're seeing right now. And the long-term goal is making sure that we're saving and protecting jobs, that businesses and American families are able to benefit from the flow of credit again. I'm not out to increase the size of the government long-term. My preference would be that the private sector was doing this all on their own. But I think the consensus across the board from people, even who didn't vote on it is that we have to take some bold steps now to make sure that we prevent the worst from occurring.

HARWOOD: Any concern about overconfidence?

President-elect OBAMA: No, I am enormously humbled by the challenges ahead of us. What I do have confidence about is that I'm a good listener, I'm good at synthesizing advice from a range of different perspectives, and that we will make the best possible decisions from the perspective of what's good for ordinary Americans.

HARWOOD: President Bush faced questions for several years about his exit strategy from Iraq. Same question for your financial multifront attack as you mentioned.

President-elect OBAMA: Right.

HARWOOD: What's the exit strategy from autos, from insurance, from the financial sector?

President-elect OBAMA: Right.

HARWOOD: And how do you decide when it's time to stop focusing on the short-term, that your program's done all the good it can do...

President-elect OBAMA: Right.

HARWOOD: ...and it's time to start focusing on the long-term fiscal responsibility?

President-elect OBAMA: Well, first of all, we're not going to do it sequentially, we're going to do it on a parallel track. So I will be preparing a budget that is presented to Congress in February, and that budget will add medium-term and long-term projections as well as short-term projections.

HARWOOD: So there is...(unintelligible)...

President-elect OBAMA: Yes.

HARWOOD: ...to when you care most about the deficit.

President-elect OBAMA: Yes. Absolutely. But my point being we're not just going to wait until two years from now and then we'll start worrying about what to do about the deficit. We want to see all the things that we can do now under my watch to start bending the curve towards a lower deficit. But I think that my basic principle is that when you start seeing the private sector lending again, when credit is flowing to families and businesses, they can get auto loans, they can support their mortgage, that the job market has stabilized, then we will want to pull back. And that's why it's going to be important for us to monitor progress carefully. But understand that the best estimates we're getting right now is, even with the massive effort that we're going to make, we are still looking at the prospect of unemployment at a fairly high level. It just won't be the double digit levels that we might see if we took no action whatsoever. And it may take most of next year before we start seeing the economy going again in the ways that it should.

HARWOOD: Will we be growing in the second half of 2009?

President-elect OBAMA: Well, yeah, I don't have a crystal ball. But I--here's what I'm confident about. If we do nothing, things will get much, much worse. With the plan that we have, we will do better than we would otherwise have done. And I do feel confident that we can create or save three million jobs. We've already lost at least two. We're going to get a jobs report at the end of this week which probably will indicate we've lost at least another half million jobs. And, you know, if we start seeing three, four, five million additional jobs lost next year, that's going to be a crisis that we haven't seen in a very long time, and we've got to nip that in the bud.

HARWOOD: The issue of taxes. When we spoke in June, you said you might be willing to defer some tax increases that you've proposed in response to economic conditions.

President-elect OBAMA: Right.

HARWOOD: We know you've got \$300 billion, roughly, of tax cuts...

President-elect OBAMA: Right.

HARWOOD: ...in your economic program, but are you prepared to say now that you're not going to seek the accelerated repeal of President Bush's tax cuts for people making over \$250,000 and let them expire in 2010?

President-elect OBAMA: You're know, I'm not prepared to make a hard and fast commitment here with you today, John, but what I've said is that I'm less concerned about whether it happens this year or next year. More concerned with the basic principle that we've got to restore balance and fairness to the tax system. And that's why we've put forward as part of this package targeted tax cuts. Ninety-five percent of working families would get a tax break. We want to figure out other ways that we can get that money into people's pockets faster without having to wait until they file

next year because otherwise it won't have the kind of stimulative effect that it needs. But we also want to make sure that we're keeping an eye on the deficit. And for people like you and me who are making more than 200, \$250,000 a year, we believe that the Bush tax cuts were unnecessary, we think--we still think they're unnecessary, and we're going to make sure that that's not part of our tax code long term.

HARWOOD: I don't know what hard and fast means, but it sounds like you're not going to seek the accelerated repeal this year.

President-elect OBAMA: Haven't made a final decision on it. That's going to be part of our consultations with Congress.

HARWOOD: Let me ask you about bipartisanship.

President-elect OBAMA: Mm-hmm.

HARWOOD: There seems to be a, at least for the moment, some level of dialogue that is different than we've seen between the two parties. How important to you is bipartisanship as an end in itself, meaning that will you be willing to accept ideas from the other side, even if you don't think they're as good as the ideas they might displace...

President-elect OBAMA: Right.

HARWOOD: ...for the sake of getting a broader consensus and not just passing a package with three or four Republicans supporting it?

President-elect OBAMA: Sure. Well, but, well, here's how I think about it. What's most important is what gets the job done. That's the lens to which I look at this. Is it creating three million jobs or saving three million jobs? Are we preparing, laying the groundwork for energy independence or reducing our health care costs, which is going to be critical to dealing with our deficit long term? Are we creating a first class education system? So that's my number one priority. Now, I don't think the Democratic Party has a monopoly on good ideas. I think the Republicans have a lot to offer. And what I will do is to listen and learn from my Republican colleagues. And anytime they can make a case that this is something that will be good for the American people, just because Democrats didn't think of it and Republicans are promoting it, that's not a good reason not to do it.

There are going to be some times, though, where we disagree. And if somebody presents to me a plan that they are ideologically wedded to but they can't persuade me that this is actually going to be good for the economy, then we're not going to do it. And there are going to be some times where we've got some fights. But what--my general point is I'm not looking for a fight, and I am looking for as much cooperation as possible, and I'm open to any ideas that are going to be presented.

HARWOOD: Do you expect that the tax cut portion of your plan is going to grow in consultation with Republicans in Congress as you try to build more support for your plan?

President-elect OBAMA: You know, the attitude that I'm going to apply to the tax cuts is the same one that I apply to the investment package. And that is, is this money well spent. This is taxpayer money, it is going to be adding to the deficit short term. And if we can't justify it, then we're not going to spend tens or hundreds of billions of dollars just to make somebody happy if it's not good for the economy. And I'm going to apply that same rule across the board.

HARWOOD: It's widely agreed that housing is at the root of the economic problem that we're facing right now.

President-elect OBAMA: Right.

HARWOOD: Your team has indicated that Sheila Bair will remain at the FDIC. What do you intend to propose beyond the plan that she's proposed to try to mitigate foreclosures, and when will you propose it, and do you think the most important priority is to spur home buying again, perhaps through tax credits, or to limit foreclosures?

President-elect OBAMA: Well, first of all, I do think that the FDIC and Sheila Bair have had the sense of urgency about the problem that I want to see. And so, you know, we haven't made any official statements on this yet, but I think generally they've been on the case with the resources that they have to try to shore up the system. I think that when it comes to the housing market, the Federal Reserve Board has done what it can to lower rates about as low as they can go. And so we've seen some activity around refinancing. That doesn't really solve the problem, though, of declining home values.

And I think the most important thing when it comes to declining home values is number one, preventing further foreclosures. That just erodes home values across the board. And that's why I think for those of us who are still paying a mortgage--you know, you hear sometimes folks up in the country say, 'Well, I've been responsible. Why should I provide any help to somebody who maybe took out a mortgage that they couldn't afford.' Well, this goes back to the adage that if your neighbor's house is burning, you got to first worry about putting out the house, even if they'd acted irresponsibly. I think that's true when it comes to foreclosures as well. We've got to prevent the continuing deterioration of the housing market. That starts with foreclosures. That doesn't mean that we can't also provide some assistance. It may not all be in the form of mortgage assistance. One of the things that we think is very important in our reinvestment plan is to provide incentives to weatherize homes all across the country. That is the kind of long-term investment that can drastically cut the country's energy bills, increase energy independence, reduce global greenhouse gases. So, you know, there are some areas where we can make progress and provide relief and help to home owners. But dealing with this foreclosure crisis is something that we've got to do. I expect to unveil plans to prevent foreclosures in consultation with Barney Frank and Chris Dodd, who've done some very good work on this, sometime in the next month or two.

HARWOOD: As part of the next part of the financial bailout package? President-elect OBAMA: As part of our multipronged attack to deal with the crisis.

HARWOOD: There's been a lot of speculation that Larry Summers, the former Treasury secretary who's heading your national economic council, will be selected by you to replace Ben Bernanke as the Fed chairman when Bernanke's term expires in 2010. Is that your intention or are you willing to say that you will reappoint Ben Bernanke?

President-elect OBAMA: Larry Summers doesn't even have this job yet. We--I've assigned him to it but we're not in our administration. I think it is premature for me to speculate on jobs coming up two years from now when I haven't gotten my current team in place.

HARWOOD: Let me ask you about regulation. We're sitting in a building that once housed the SEC.

President-elect OBAMA: Right.

HARWOOD: How extensive an overhaul of the financial regulatory apparatus will you propose and support? When will you do that? And do you think there is a global regulatory apparatus that needs to be created? You've got the G-20 coming up in April in London.

President-elect OBAMA: Right. Well, by the time that G-20 meeting takes place, we, I believe, will have presented our approach to financial regulation. I think some international coordination has to be done. But right now, we just have to take care...(unintelligible)...and Wall Street has not worked, our regulatory system has not worked the way it's supposed to. So it's going to be a substantial overhaul. We're going to have better enforcement, better oversight, better disclosure, increased transparency. We're going to have to look at this alphabet soup of agencies and figure out how do we get them to work together more effectively. We've got to stop splintering functions in such a way that capital in one form is treated one way and capital in another form is treated another way, because these days in global financial markets, they're all fungible. And there's systemic risks that are possible, whether it's in the form of derivatives or insurance or traditional bank deposits. So we've got to update the whole system to meet the needs of the 21st century. This is an assignment that my team is already beginning to work on and I think that we will have, fairly shortly, a package that we've worked alongside Barney Frank and Chris Dodd, to present to the American people.

HARWOOD: You've also drawn comparisons, or the challenge facing you has drawn comparisons with Franklin Roosevelt...

President-elect OBAMA: Right.

HARWOOD: ...since this is the worst financial crisis since the Depression. When he delivered his inaugural speech, he told the American people, "The only thing we have to fear is fear itself."

President-elect OBAMA: Right.

HARWOOD: When you deliver your speech on January 20th, do you see yourself as having the same task of reassurance for the American people? And how do you balance that with the need to convey the urgency of doing so?

President-elect OBAMA: Well...(unintelligible)...if you look--as you might imagine, I've been ready inaugural speeches lately, and if you look at FDR's first speech, the line that's remembered is "The only thing we have to fear is fear itself." But actually the bulk of the speech centered around the need to act and act now. And he explained, I think, the nature of the crisis, both in his inaugural speech and subsequent fireside chats, as well as anybody. This is a bit of advice that I received from one of the former presidents. He said, 'Part of the reason, Barack, that you're doing well right now is because you don't talk down to the American people, you play it straight and just explain what it is that's taking place.' And I think that--I have such confidence in the American people. If you just play it straight with them, if you explain to them, here's our challenge, here's how we've gotten here and here's where I think we need to go, then I have enormous confidence that the American people will rise up to the challenge. So my job, both in the inauguration speech and in the months to come, is simply to explain as honestly and truthfully as possible what the circumstances are, what the best ideas are that are out there in terms of meeting those challenges, and if I do that, I feel confident that we'll come together to solve these problems.

HARWOOD: There's an awful lot of noise in contemporary American culture. Argumentation on the left on right, on TV all the time. In the financial system as well. When you'd give your

economic speech tomorrow, on CNBC we'll be running call with all the market indexes as you're talking showing whether the markets are going up or down.

President-elect OBAMA: Right.

HARWOOD: How will you absorb that information? Is it important to you or is it important for you to tune that out and decide from the beginning that it's unimportant?

President-elect OBAMA: Well, look. I think it's important not to live in the bubble. So you've got to be open to outside information, particularly criticism. I'll tell you, I very rarely read good press and I often read bad press, not because I agree with it but because I want to get a sense of are there areas where I'm falling short and I can do better.

HARWOOD: You haven't gotten a lot of bad press so far.

President-elect OBAMA: Well, I'm sure it's coming. The--but the markets are obviously a slightly different situation. Right now, given the sensitivities of the market, I've got to pay some attention to market psychology because part of what we have right now is such a loss of trust in both the marketplace and in government that restoring that confidence, restoring that trust is going to be very important. I'm not going to part of watching the crawl at the bottom of an interview. What I will be doing is making sure that I'm communicating with key market participants on a regular basis, again, to explain to them what exactly our plans are and to solicit from them good ideas.

And overall, though, one thing I'm pretty clear about is that as president, I've got to be looking out at the horizon. I can't be looking at today's headlines, because if I do, then I'm probably not going to make decisions based on what's best for the country. I'm going to be spending a lot of time worrying about day-to-day politics, and that's something that I've been trying to block out.

HARWOOD: Speaking of trying to avoid the dangers of the bubble, you still got one of these in your pocket?

President-elect OBAMA: You know, I actually took it out as a consequence of this interview, but I'm still clinging to my BlackBerry. They're going to pry it out of my hands.

HARWOOD: Well, are you, in fact, going to overcome this idea as anachronistic that presidents can't use the most modern...

President-elect OBAMA: Well, here's what I think I can get. I think I'm going to be able to get access to a computer somewhere. It may not be right in the Oval Office. The second thing I'm hoping to do is to see if there's some way that we can arrange for me to continue to have access to a BlackBerry. I know that...

HARWOOD: As of this moment, you still have your BlackBerry.

President-elect OBAMA: As of this moment, I still do. This is a concern, I should add, not just of Secret Service, but also lawyers. You know, this town's full of lawyers. I don't know if you've noticed...

HARWOOD: Yeah.



President-elect OBAMA: ...and they have a lot of opinions. And so I'm still in a scuffle around that, but it--look, it's the hardest thing about being president.

HARWOOD: Yeah.

President-elect OBAMA: How do you stay in touch with the flow of everyday life? You know, when we were on vacation in Hawaii, I was greatly discouraged from going body surfing. Going to get shave ice was a major ordeal. And you know...

HARWOOD: Well, were you told not to walk outside without your shirt on?

President-elect OBAMA: Well, the--I learned of that after the first day. But I think that...

HARWOOD: Was that--was that an embarrassment to you? Or do you care? You got a lot of commentary about that.

President-elect OBAMA: You know, it was--it was silly, but, you know, silliness goes with this job.

HARWOOD: You got some flattery for that.

President-elect OBAMA: Well, you know, the--my wife was tickled by me blushing. Anyway, what point was I making here, John? We got sidetracked by the...

HARWOOD: You were saying that it looks like you're going to maybe tussle to keep your BlackBerry.

President-elect OBAMA: I don't know that I'll win, but I'm still--I'm still fighting it. And--but here's the point I was making, I guess, is that it's not just the flow of information. I mean, I can get somebody to print out clips for me, and I can read newspapers. What it has to do with is having mechanisms where you are interacting with people who are outside of the White House in a meaningful way. And I've got to look for every opportunity to do that--ways that aren't scripted, ways that aren't controlled, ways where, you know, people aren't just complimenting you or standing up when you enter into a room, ways of staying grounded. And if I can manage that over the next four years, I think that will help me serve the American people better because I'm going to be hearing their voices. They're not going to be muffled as a consequence of me being in the White House.

HARWOOD: A couple of things quickly before we go. Dick Parsons going to be your next commerce secretary?

President-elect OBAMA: I have not made a final determination on who my next Commerce secretary is. When I know, I will let you know, John.

HARWOOD: Is he a candidate?

President-elect OBAMA: I have not--I am not going to make comments at all. Dick Parsons is a great guy, though, a good friend of mine.

HARWOOD: Are you confident that you've gotten over this brief period of controversy over the choice of Leon Panetta to head the CIA? And how much difficulty do you anticipate trying to codify your commitment to end the notion that the United States tolerates torture?

President-elect OBAMA: Well, first of all, I have not made an official announcement about Leon Panetta. When I do, I'll have something more to say about it. I can say that Leon Panetta is an outstanding public servant with impeccable integrity, somebody who's worked on national security at the highest levels and if I were to select him, I think he would do an outstanding job. There is a broader question and that is how do we rebrand, reset our intelligence operations? There are some extraordinary people who have done great work in the CIA, in our Department of National Intelligence, and I want them to get all the tools that they need in order to perform effectively. And I also want to make sure that all of those folks who are working so hard to provide the best intelligence to our national security apparatus, that they're not operating under a cloud in which policies are made, they are put in the cross-fire, and they end up bearing the blame as a consequence of us maybe not living up to our highest values and ideals.

HARWOOD: Do you expect it to be difficult and complicated to affect that change?

President-elect OBAMA: Yeah.

HARWOOD: I think some things should define what exactly is and isn't torture?

President-elect OBAMA: Well, let me give you an example. I think that there's some things that shouldn't be difficult. I'm saying that we abide by the Geneva Convention. That shouldn't be difficult. We helped design the Geneva Convention. We pushed it through, and it has served us well. I think that Guantanamo, I'm going to close. How we do that is not simple because we have people who have been detained there, many of them who actually may be dangerous. We should have tried them in the first place, but now, because of the circumstances that have existed over the last several years, it's more difficult because some of the evidence against them might be tainted in terms of how it was obtained. So we've got to do very careful reviews of how we do that. But my broad commitment: No torture, that we abide by rule of law, that we abide by our constitution, that we live up to the Geneva Conventions. Those things are designed not just to feel good about ourselves, they're designed to make sure that we continue to communicate that we have the moral high ground, that America lives up to our standard. That is going to benefit us over the long-term and make us safer.

HARWOOD: Last question. Florida plays Oklahoma tomorrow in the, what's widely regarded as the national championship game. You've talked about the need for a college football playoff. Do you think Utah, which finished undefeated by defeating Alabama, has a good a claim as either of those schools to be the national champion?

President-elect OBAMA: I think Utah has a pretty good claim. They're undefeated. And Florida and Oklahoma both are well...(unintelligible). I think USC, which had a great Rose Bowl, beat Penn State pretty badly. They've got a pretty good claim to being number one. Florida and Oklahoma, I think, both have a claim. Texas, at this point, has got to feel like, 'Well, we did OK, too.' I think--I think a football playoff system makes sense. I've spoken about this quite a bit, and I think if you look at knowledgeable sports fans, they agree with me. But, you know, I've got to pick and choose my battles. I probably am going to be spending more time focusing on creating three more--three million more jobs.

HARWOOD: Thanks so much for joining us.

President-elect OBAMA: I had a great time, John, thank you