

The President's News Conference

March 24, 2009

The President. Hello, everybody. Please have a seat. Good evening. Before I take questions from the correspondents I want to give everyone who's watching tonight an update on the steps we're taking to move this economy from recession to recovery and ultimately to prosperity.

It's important to remember that this crisis didn't happen overnight, and it didn't result from any one action or decision. It took many years and many failures to lead us here, and it will take many months and many different solutions to lead us out. There are no quick fixes, and there are no silver bullets.

That's why we've put in place a comprehensive strategy designed to attack this crisis on all fronts. It's a strategy to create jobs, to help responsible homeowners, to restart lending, and to grow our economy over the long term. And we're beginning to see signs of progress.

The first step we took was to pass a recovery plan to jumpstart job creation and put money in people's pockets. This plan has already saved the jobs of teachers and police officers. It's creating construction jobs to rebuild roads and bridges, and yesterday I met with a man whose company is reopening a factory outside of Pittsburgh that's rehiring workers to build some of the most energy-efficient windows in the world. And this plan will provide a tax cut to 95 percent of all working families that will appear in people's paychecks by April 1st.

The second step we took was to launch a plan to stabilize the housing market and help responsible homeowners stay in their homes. This plan is one reason that mortgage interest rates are now at near-historic lows. We've already seen a jump in refinancing of some mortgages as homeowners take advantage of lower rates, and every American should know that up to 40 percent of all mortgages are now eligible for refinancing. This is the equivalent of another tax cut. And we're also beginning to see signs of increased sales and stabilizing home prices for the first time in a very long time.

The third part of our strategy is to restart the flow of credit to families and businesses. To that end, we've launched a program designed to support the market for more affordable auto loans, student loans, and small-business loans, a program that's already securitized more of this lending in the last week than in the last 4 months combined. Yesterday Secretary Geithner announced a new plan that will partner Government resources with private investment to buy up the assets that are preventing our banks from lending money. And we will continue to do whatever is necessary in the weeks ahead to ensure the banks Americans depend on have the money they need to lend even if the economy gets worse.

Finally, the most critical part of our strategy is to ensure that we do not return to an economic cycle of bubble and bust in this country. We know that an economy built on reckless speculation, inflated home prices, and maxed-out credit cards does not create lasting wealth. It creates the illusion of prosperity, and it's endangered us all.

The budget I submitted to Congress will build our economic recovery on a stronger foundation so that we don't face another crisis like this 10 or 20 years from now. We invest in the renewable sources of energy that will lead to new jobs, new businesses, and less dependence on foreign oil. We invest in our schools and our teachers so that our children have

the skills they need to compete with any workers in the world. We invest in reform that will bring down the cost of health care for families, businesses, and our Government. And in this budget, we have to make the tough choices necessary to cut our deficit in half by the end of my first term, even under the most pessimistic estimates.

At the end of the day, the best way to bring our deficit down in the long run is not with a budget that continues the very same policies that have led us to a narrow prosperity and massive debt. It's with a budget that leads to broad economic growth by moving from an era of borrow and spend to one where we save and invest.

And that's why clean energy jobs and businesses will do all across America. That's what a highly skilled workforce can do all across America. That's what an efficient health care system that controls costs and entitlements like Medicare and Medicaid will do. That's why this budget is inseparable from this recovery, because it is what lays the foundation for a secure and lasting prosperity.

The road to that prosperity is still long, and we will hit our share of bumps and setbacks before it ends. But we must remember that we can get there if we travel that road as one Nation, as one people. You know, there was a lot of outrage and finger-pointing last week, and much of it is understandable. I'm as angry as anybody about those bonuses that went to some of the very same individuals who brought our financial system to its knees, partly because it's yet another symptom of the culture that led us to this point.

But one of the most important lessons to learn from this crisis is that our economy only works if we recognize that we're all in this together, that we all have responsibilities to each other and to our country. Bankers and executives on Wall Street need to realize that enriching themselves on the taxpayers' dime is inexcusable, that the days of outsized rewards and reckless speculation that puts us all at risk have to be over.

At the same time, the rest of us can't afford to demonize every investor or entrepreneur who seeks to make a profit. That drive is what has always fueled our prosperity, and it is what will ultimately get these banks lending and our economy moving once more.

We'll recover from this recession, but it will take time, it will take patience, and it will take an understanding that when we all work together, when each of us looks beyond our own short-term interest to the wider set of obligations we have towards each other, that's when we succeed; that's when we prosper. And that's what is needed right now. So let's look towards the future with a renewed sense of common purpose, a renewed determination, and most importantly, a renewed confidence that a better day will come.

All right, with that, let me take some questions. And I've got a list here. Let's start off with Jennifer Loven, AP [Associated Press].

Government's Role in Reforming Financial Systems

Q. Thank you, Mr. President. Your Treasury Secretary and the Fed Chairman were on Capitol Hill today asking for this new authority that you want to regulate big, complex financial institutions. But given the problems that the financial bailout program has had so far—banks not wanting to talk about how they're spending the money, the AIG bonuses that you mentioned—why do you think the public should sign on for another new, sweeping authority for the Government to take over companies, essentially?

The President. Well, keep in mind that it is precisely because of the lack of this authority that the AIG situation has gotten worse. Now, understand that AIG is not a bank, it's an

insurance company. If it were a bank and it had effectively collapsed, then the FDIC could step in, as it does with a whole host of banks, as it did with IndyMac, and in a structured way, renegotiate contracts, get rid of bad assets, strengthen capital requirements, resell it on the private marketplace.

So we've got a regular mechanism whereby we deal with FDIC-insured banks. We don't have that same capacity with an institution like AIG, and that's part of the reason why it has proved so problematic. I think a lot of people, understandably, say, "Well, if we're putting all this money in there, and if it's such a big systemic risk to allow AIG to liquidate, why is it that we can't restructure some of these contracts? Why can't we do some of the things that need to be done in a more orderly way?" And the reason is, is because we have not obtained this authority.

We should have obtained it much earlier so that any institution that poses a systemic risk that could bring down the financial system we can handle, and we can do it in an orderly fashion that quarantines it from other institutions. We don't have that power right now. That's what Secretary Geithner was talking about.

And I think that there's going to be strong support from the American people and from Congress to provide that authority so that we don't find ourselves in a situation where we've got to choose between either allowing an enormous institution like AIG, which is not just insuring other banks but is also insuring pension funds and potentially putting people's 401(k)s at risk if it goes under; that's one choice. And then the other choice is just to allow them to take taxpayer money without the kind of conditions that we'd like to see on it.

So that's why I think the authority is so important.

Q. Why should the public trust the Government to handle that authority well?

The President. Well, as I said before, if you look at how the FDIC has handled a situation like Indy bank, for example, it actually does these kinds of resolutions effectively when it's got the tools to do it. We don't have the tools right now.

Okay, Chuck Todd [NBC News].

National Economy/Economic Stabilization

Q. Thank you, Mr. President. Some have compared this financial crisis to a war, and in times of war past Presidents have called for some form of sacrifice. Some of your programs, whether for Main Street or Wall Street, have actually cushioned the blow for those that were irresponsible during this economic period of prosperity, or supposed prosperity, that you were talking about. Why, given this new era of responsibility that you're asking for, why haven't you asked for something specific that the public should be sacrificing to participate in this economic recovery?

The President. Well, let me take that question in a couple of phases. First of all, it's not true that we have not asked sacrifice from people who are getting taxpayer money. We have imposed some very stiff conditions. The only problem that we've had so far are contracts that were put in place before we took over. But moving forward, anybody—any bank, for example, that is receiving capital from the taxpayers is going to have to have some very strict conditions in terms of how it pays out its executives, how it pays out dividends, how it's reporting its lending practices. So we want to make sure that there are some stiff conditions in place.

With respect to the American people, I think folks are sacrificing left and right. They—you've got a lot of parents who are cutting back on everything to make sure that their kids can still go to college. You've got workers who are deciding to cut an entire day—an entire day's worth of pay so that their fellow coworkers aren't laid off. I think that across the board people are making adjustments, large and small, to accommodate the fact that we're in very difficult times right now.

What I've said here in Washington is that we've got to make some tough choices; we got to make some tough budgetary choices. What we can't do, though, is sacrifice long-term growth, investments that are critical to the future. And that's why my budget focuses on health care, energy, education, the kinds of things that can build a foundation for long-term economic growth, as opposed to the fleeting prosperity that we've seen over the last several years.

I mean, when you have an economy in which the majority of growth is coming from the financial sector, when AIG selling a derivative is counted as an increase in the Gross Domestic Product, then that's not a model for sustainable economic growth. And what we have to do is invest in those things that will allow the American people's capacity for ingenuity and innovation, their ability to take risks but make sure that those risks are grounded in good products and good services that they believe they can market to the rest of the country, that those models of economic growth are what we're promoting. And that's what I think our budget does.

Economic Stabilization/Transparency in Government Spending

Q. But you don't think there should be a specific call to action? I mean, this is—you've described this as a economic crisis like nothing we have seen since the Great Depression.

The President. Well, as I said, the American people are making a host of sacrifices in their individual lives. We are going through an extraordinary crisis, but we believe that taken—if you take the steps that we've already taken with respect to housing, with respect to small businesses, if you look at what we're doing in terms of increasing liquidity in the financial system, that the steps that we're taking can actually stabilize the economy and get it moving again.

What I'm looking from the American people to do is that they are going to be doing what they've always done, which is working hard, looking after their families, making sure that despite the economic hard times, that they're still contributing to their community, that they're still participating in volunteer activities, that they are paying attention to the debates that are going on in Washington. And the budgets that we're putting forward and some of the decisions that we're having to make are going to be tough decisions, and we're going to need the support of the American people. And that's part of why what I've tried to do is to be out front as much as possible explaining in very clear terms exactly what we're doing.

Jake [Jake Tapper, ABC News].

Federal Budget

Q. Thank you, Mr. President. Right now on Capitol Hill Senate Democrats are writing a budget and, according to press accounts and their own statements, they're not including the middle class tax cut that you include in the stimulus; they're talking about phasing that out. They're not including the cap and trade that you have in your budget, and they're not including other measures. I know when you outlined your four priorities over the weekend, a number of

these things were not in there. Will you sign a budget if it does not contain a middle class tax cut, does not contain cap and trade?

The President. Well, I've emphasized repeatedly what I expect out of this budget. I expect that there's serious efforts at health care reform and that we are driving down costs for families and businesses and, ultimately, for the Federal and State governments that are going to be broke if we continue on the current path. I've said that we've got to have a serious energy policy that frees ourselves from dependence on foreign oil and makes clean energy the profitable kind of energy. We've got to invest in education, K-12 and beyond, to upgrade the skills of the American worker so we can compete in the international economy. And I've said that we've got to start driving our deficit numbers down.

Now, we never expected when we printed out our budget that they would simply Xerox it and vote on it. We assume that it has to go through the legislative process. I have not yet seen the final product coming out of the Senate or the House, and we're in constant conversations with them. I am confident that the budget we put forward will have those principles in place.

When it comes to the middle class tax cut, we already had that in the recovery. We know that that's going to be in place for at least the next 2 years. We had identified a specific way to pay for it. If Congress has better ideas in terms of how to pay for it, then we're happy to listen.

When it comes to cap and trade, the broader principle is that we've got to move to a new energy era, and that means moving away from polluting energy sources towards cleaner energy sources. That is a potential engine for economic growth. I think cap and trade is the best way, from my perspective, to achieve some of those gains, because what it does is it starts pricing the pollution that's being sent into the atmosphere.

The way it's structured has to take into account regional differences; it has to protect consumers from huge spikes in electricity prices. So there are a lot of technical issues that are going to have to be sorted through. Our point in the budget is, let's get started now; we can't wait. And my expectation is that the energy committees or other relevant committees in both the House and the Senate are going to be moving forward a strong energy package. It'll be authorized, we'll get it done, and I will sign it.

Q. So is that a "yes," sir? You're willing to sign a budget that doesn't have those two provisions?

The President. No, I—what I said was I haven't seen yet what provisions are in there. The bottom line is, is that I want to see health care, energy, education, and serious efforts to reduce our deficit—our budget deficit. And there are going to be a lot of details that are still being worked out, but I have confidence that we're going to be able to get a budget done that's reflective of what needs to happen in order to make sure that America grows.

Chip Reid [CBS News].

Federal Deficit/Balancing the Federal Budget

Q. Thank you, Mr. President. At both of your town hall meetings in California last week, you said, quote, "I didn't run for President to pass on our problems to the next generation." But under your budget the debt will increase \$7 trillion over the next 10 years; the Congressional Budget Office says \$9.3 trillion. And today on Capitol Hill some Republicans called your budget, with all the spending on health care, education, and environment, the most irresponsible budget in American history. Isn't that kind of debt exactly what you were talking about when you said "passing on our problems to the next generation"?

The President. First of all, I suspect that some of those Republican critics have a short memory, because as I recall I'm inheriting a \$1.3 trillion deficit, annual deficit, from them. That would be point number one.

Point number two, both under our estimates and under the CBO estimates, both conservative—the most conservative estimates out there, we drive down the deficit over the first 5 years of our budget. The deficit is cut in half. And folks aren't disputing that.

Where the dispute comes in is what happens in a whole bunch of out-years. And the main difference between the budget that we presented and the budget that came out of Congressional Budget Office is assumptions about growth. They're assuming a growth rate of 2.2. We're assuming a growth rate of 2.6. Those small differences end up adding up to a lot of money. Our assumptions are perfectly consistent with what blue-chip forecasters out there are saying.

Now, none of us know exactly what's going to happen 6 or 8 or 10 years from now. Here's what I do know: If we don't tackle energy, if we don't improve our education system, if we don't drive down the costs of health care, if we're not making serious investments in science and technology and our infrastructure, then we won't grow 2.6 percent, we won't grow 2.2 percent. We won't grow.

And so what we've said is let's make the investments that ensure that we meet our growth targets, that put us on a pathway to growth, as opposed to a situation in which we're not making those investments and we still have trillion-dollar deficits.

And there's an interesting reason why some of these critics haven't put out their own budget. I mean, we haven't seen an alternative budget out of them. And the reason is because they know that in fact the biggest driver of long-term deficits are the huge health care costs that we've got out here that we're going to have to tackle. And we—that if we don't deal with some of the structural problems in our deficit, ones that were here long before I got here, then we're going to continue to see some of the problems in those out-years.

And so, what we're trying to emphasize is, let's make sure that we're making the investments that we need to grow, to meet those growth targets. At the same time, we're still reducing the deficit by a couple of trillion dollars; we are cutting out wasteful spending in areas like Medicare; we're changing procurement practices when it comes to the Pentagon budget; we are looking at social service programs and education programs that don't work and eliminate them. And we will continue to go line by line through this budget, and where we find programs that don't work we will eliminate them.

But it is going to be an impossible task for us to balance our budget if we're not taking on rising health care costs. And it's going to be an impossible task to balance our budget or even approximate it, if we are not boosting our growth rates. And that's why our budget focuses on the investments we need to make that happen.

Federal Budget

Q. But even under your budget, as you said, over the next 4 or 5 years, you're going to cut the deficit in half. Then after that, 6 years in a row, it goes up, up, up. If you're making all these long-term structural cuts, why does it continue to go up in the out-years?

The President. Well, look, it is going to take a whole host of adjustments, and we couldn't reflect all of those adjustments in this budget. Let me give you an example. There's been a lot of talk about entitlements and Medicare and Medicaid. The biggest problem we have long

term is Medicare and Medicaid, but whatever reforms we initiative on that front—and we're very serious about working on a bipartisan basis to reduce those deficits or reduce those costs—you're not going to see those savings reflected until much later.

And so a budget is a snapshot of what we can get done right now, understanding that 8, 10 years from now we will have had a whole series of new budgets, and we're going to have to make additional adjustments. And once we get out of this current economic crisis, then it's going to be absolutely important for us to take another look and say, "Are we growing as fast as we need to grow? Are there further cuts that we need to make? What other adjustments are—is it going to take for us to have a sustainable budget level?"

But keep in mind, just to give one other example, as a percentage of Gross Domestic Product, we are reducing nondefense discretionary spending to its lowest level since the sixties, lower than it was under Reagan, lower than it was under Clinton, lower than it was under Bush—or both Bushes. And so if we're growing, if we are doing what's necessary to create new businesses and to expand the economy, and we are making sure that we're eliminating some of these programs that aren't working, then over time that gap can close.

But I'm—look, I'm not going to lie to you, it is tough. As I said, that's why the critics tend to criticize, but they don't offer an alternative budget. Because even if we were not doing health care, we were not doing energy, we were not doing education, they'd still have a whole bunch of problems in those out-years, according to CBO projections. The only difference is that we will not have invested in what's necessary to make this economy grow.

Is Lourdes [Lourdes Meluza] here, from Univision?

Mexico-U.S. Border Security

Q. Thank you, Mr. President. Today your administration presented a plan to help curb the violence in Mexico and also to control any, or prevent any, spillover of the violence into the United States. Do you consider the situation now a national security threat? And do you believe that it could require sending national troops to the border? Governor Perry of Texas has said that you still need more troops and more agents. How do you respond to that?

The President. Well, first of all, let's focus on what we did today. It's very significant. We are sending millions of dollars in additional equipment to provide more effective surveillance. We are providing hundreds of additional personnel that can help control the border, deal with customs issues. We are coordinating very effectively with the Mexican Government and President Calderon, who has taken on an extraordinarily difficult task of dealing with these drug cartels that have gotten completely out of hand.

And so the steps that we've taken are designed to make sure that the border communities in the United States are protected and you're not seeing a spillover of violence, and that we are helping the Mexican Government deal with a very challenging situation. Now, we are going to continue to monitor the situation. And if what—the steps we've taken do not get the job done, then we will do more.

One last point that I want to make about this. As I said, President Calderon has been very courageous in taking on these drug cartels. We've got to also take some steps. Even as he is doing more to deal with the drug cartels sending drugs into the United States, we need to do more to make sure that illegal guns and cash aren't flowing back to these cartels. That's part of what's financing their operations, that's part of what's arming them, that's what makes them so

dangerous. And this is something that we take very seriously and we're going to continue to work on diligently in the months to come.

Kevin Baron, Stars and Stripes. Is Kevin here? There you go.

Veterans Administration/Defense Procurement Reform

Q. Mr. President, where do you plan to find savings in the Defense and Veterans Administrations budgets when so many items that seem destined for the chopping block are politically untenable perhaps?

The President. I'm sorry, so many?

Q. When so many items that may be destined for the chopping block seem politically untenable, from major weapons systems, as you mentioned, procurement, to wounded warrior care costs, or increased operations in Afghanistan, or the size of the military itself.

The President. Well, a couple of points I want to make. The budget that we've put forward reflects the largest increase in veterans funding in 30 years. That's the right thing to do.

Chuck asked earlier about sacrifices. I don't think anybody doubts the extraordinary sacrifices that men and women in uniform have already made. And when they come home, then they have earned the benefits that they receive, and, unfortunately, over the last several years, all too often the VA has been underresourced when it comes to dealing with things like Posttraumatic Stress Disorder or traumatic brain injury, dealing with some of the backlogs in admission to VA hospitals. So there are a whole host of veterans issues that I think every American wants to see properly funded, and that's what's reflected in our budget.

Where the savings should come in—and I've been working with Secretary Gates on this and will be detailing it more in the weeks to come—is how do we reform our procurement system so that it keeps America safe and we're not wasting taxpayer dollars. And there is uniform acknowledgement that the procurement system right now doesn't work. That's not just my opinion, that's John McCain's opinion; that's Carl Levin's opinion. There are a whole host of people who are students of the procurement process that will say, if you've got a whole range of billion-dollar—multibillion-dollar systems that are—where we're seeing cost overruns at 30 percent or 40 percent or 50 percent, and then still don't perform the way they're supposed to or aren't providing our troops with the kinds of tools that they need to succeed on their missions, then we've got a problem.

Now, I think everybody in this town knows that the politics of changing procurement is tough because lobbyists are very active in this area; contractors are very good at dispersing the jobs and plants in the Defense Department widely. And so what we have to do is to go through this process very carefully, be more disciplined than we've been in the last several years. As I've said, we've already identified potentially \$40 billion in savings just by some of the procurement reforms that are pretty apparent to a lot of critics out there. And we are going to continue to find savings in a way that allows us to put the resources where they're needed, but to make sure that we're not simply fattening defense contractors.

One last point: In order for us to get a handle on these costs, it's also important that we are honest in what these costs are. And that's why it was so important for us to acknowledge the true costs of the Iraq war and the Afghan war, because if those costs are somehow off the books and we're not thinking about them, then it's hard for us to make some of the tough choices that need to be made.

Ed Henry [Cable News Network]. Where's Ed? There he is.

Federal Deficit/Federal Budget

Q. Thank you, Mr. President. You spoke again at the top about your anger about AIG. You've been saying that for days now. But why is it that it seems Andrew Cuomo seems to be in New York getting more actual action on it? And when you and Secretary Geithner first learned about this 10 days, 2 weeks ago, you didn't go public immediately with that that outrage; you waited a few days, and then you went public after you realized Secretary Geithner really had no legal avenue to stop it.

And more broadly—I just want to follow up on Chip and Jake—you've been very critical of President Bush doubling the national debt. And to be fair, it's not just Republicans hitting you; Democrat Kent Conrad, as you know, said, "When I look at this budget, I see the debt doubling again." You keep saying that you've inherited a big fiscal mess. Do you worry, though, that your daughters—not to mention the next President—will be inheriting an even bigger fiscal mess if the spending goes out of control?

The President. Of course I do, Ed, which is why we're doing everything we can to reduce that deficit. Look, if this were easy, then we would have already had it done, and the budget would have been voted on, and everybody could go home. This is hard. And the reason it's hard is because we've accumulated a structural deficit that's going to take a long time, and we're not going to be able to do it next year or the year after or 3 years from now. What we have to do is bend the curve on these deficit projections. And the best way for us to do that is to reduce health care costs. That's not just my opinion; that's the opinion of almost every single person who has looked at our long-term fiscal situation.

Now, how do we—how are we going to reduce health care costs, because the problem is not just in Government-run programs; the problem is in the private sector as well. It's experienced by families; it's experienced by businesses. And so what we've said is, look, let's invest in health information technologies; let's invest in preventive care; let's invest in mechanisms that look at who's doing a better job controlling costs while producing good quality outcomes in various States, and let's reimburse on the basis of improved quality, as opposed to simply how many procedures you're doing. Let's do a whole host of things, some of which cost money on the front end but offer the prospect of reducing costs on the back end.

Now, the alternative is to stand pat and to simply say, we are just going to not invest in health care; we're not going to take on energy; we'll wait until the next time that gas gets to \$4 a gallon; we will not improve our schools, and we'll allow China or India or other countries to lap our young people in terms of their performance; we will settle on lower growth rates, and we will continue to contract, both as an economy and our ability to provide a better life for our kids.

That I don't think is the better option. Now, have—I am I completely satisfied with all the work that needs to be done on deficits? No. That's why I convened a fiscal responsibility summit, started in this room, to start looking at entitlements and to start looking at the big drivers of costs over the long term. Not all of those are reflected in our budget, partly because the savings we anticipate would be coming in years outside of the 10-year budget cycle that we're talking about. Okay?

Monetary Bonuses for American International Group (AIG) Executives

Q. On AIG, why did you wait days to come out and express that outrage? It seems like the action is coming out of New York and the attorney general's office. It took you days to come public with Secretary Geithner and say, look, we're outraged. Why did it take so long?

The President. It took us a couple of days because I like to know what I'm talking about before I speak, you know? [*Laughter*]

Major [Major Garrett, FOX News].

Global Economy/Strength of the Dollar/America's Image Abroad

Q. Good evening, Mr. President. Thank you. Taking this economic debate a bit globally, senior Chinese officials have publically expressed an interest in international currency. This is described by Chinese specialists as a sign that they are less confident than they used to be in the value and the reliability of the U.S. dollar. European countries have resisted your calls to spend more on economic stimulus. I wonder, sir, as a candidate who ran concerned about the image of the United States globally, how comfortable you are with the Chinese Government, run by Communists, less confident than they used to be in the U.S. dollar, and European governments, some of them center-left, some of them socialist, who say you're asking them to spend too much.

The President. Well, first of all, I haven't asked them to do anything. What I've suggested is, is that all of us are going to have to take steps in order to lift the economy. We don't want a situation in which some countries are making extraordinary efforts, and other countries aren't, with the hope that somehow the countries that are making those important steps lift everybody up. And so somebody has got to take leadership.

It's not just me, by the way. I was with Kevin Rudd, the Prime Minister of Australia, today, who was very forceful in suggesting that countries around the world, those with the capacity to do so, take the steps that are needed to fill this enormous hole in global demand. Gordon Brown, when he came to visit me, said the exact same thing.

So the goal at the G-20 summit, I think, is to do a couple of things: Number one, say to all countries, let's do what's necessary in order to create jobs and to get the economy moving again. Let's avoid steps that could result in protectionism, that would further contract global trade. Let's focus on how are we going to move our regulatory process forward in order that we do not see the kinds of systemic breakdowns that we've already seen. And that requires—that means not just dealing with banks, but also some of the other financial flows that are out here that are currently unregulated. We've got to update regulations that date back to the 1930s, and we're going to have to do some coordination with other countries in order to accomplish that.

As far as confidence in the U.S. economy or the dollar, I would just point out that the dollar is extraordinarily strong right now. And the reason the dollar is strong right now is because investors consider the United States the strongest economy in the world, with the most stable political system in the world. So you don't have to take my word for it. I think that there is a great deal of confidence that, ultimately, although we are going through a rough patch, that the prospects for the world economy are very, very strong.

And last point I would make in terms of changing America's image in the world, Garrett, I've—you know, I haven't looked at the latest polling around the world, but I think it's fair to say that the response that people have had to our administration and the steps that we've taken

are ones that are restoring a sense of confidence and the ability of the United States to assert global leadership. That will just strengthen.

Need for Global Currency

Q. And the need for a global——

The President. Excuse me?

Q.——the need for a global currency?

The President. I don't believe that there's a need for a global currency.

Mike Allen, Politico. Hi, Mike.

Tax Code Reforms

Q. Mr. President, are you reconsidering—thank you, Mr. President. Are you reconsidering your plan to cut the interest rate deduction for mortgages and for charities? And do you regret having proposed that in the first place?

The President. No, I think it's the right thing to do, where we've got to make some difficult choices. Here's what we did with respect to tax policy. What we said was that over the last decade, the average worker, the average family have seen their wages and incomes flat. Even at times where supposedly we were in the middle of an economic boom, as a practical matter, their incomes didn't go up. And so what we said, let's give them a tax cut, let's give them some relief, some help, 95 percent of American families.

Now, for the top 5 percent, they're the ones who typically saw huge gains in their income. I fall in that category. And what we've said is for those folks, let's not renew the Bush tax cuts, so let's go back to the rates that existed back in—during the Clinton era when wealthy people were still wealthy and doing just fine; and let's look at the level in which people can itemize their deductions. And what we've said is let's go back to the rate that existed under Ronald Reagan.

People are still going to be able to make charitable contributions. It just means, if you give \$100 and you're in this tax bracket, at a certain point, instead of being able write off 36 or 39 percent, you're writing off 28 percent. Now, if it's really a charitable contribution, I'm assuming that that shouldn't be a determining factor as to whether you're given that \$100 to the homeless shelter down the street.

And so this provision would affect about 1 percent of the American people. They would still get deductions. It's just that they wouldn't be able to write off 39 percent. In that sense, what it would do is it would equalize—when I give \$100, I'd get the same amount of deduction as when some—a bus driver, who's making \$50,000 a year or \$40,000 a year, gives that same \$100. Right now he gets 28 percent—he gets to write off 28 percent; I get to write off 39 percent. I don't think that's fair.

So I think this was a good idea. I think it is a realistic way for us to raise some revenue from people who benefited enormously over the last several years. It's not going to cripple them; they'll still be well-to-do. And ultimately, if we're going to tackle the serious problems that we've got, then in some cases those who are more fortunate are going to have to pay a little bit more.

Charitable Giving

Q. But it's not the well-to-do people, it's the charities. Given what you just said, are you confident the charities are wrong when they contend that this would discourage giving?

The President. Yes, I am. I mean, if you look at the evidence, there's very little evidence that this has a significant impact on charitable giving. I'll tell you what has a significant impact on charitable giving, is a financial crisis in an economy that's contracting. And so the most important thing that I can do for charitable giving is to fix the economy, to get banks lending again, to get businesses opening their doors again, and to get people back to work again. Then I think charities will do just fine.

Kevin Chappell [Ebony]. Hi, Kevin.

Homelessness in America

Q. Thank you, Mr. President. A recent report found that as a result of the economic downturn, 1 in 50 children are now homeless in America. With shelters at full capacity, tent cities are sprouting up across the country. In passing your stimulus package, you said that help was on the way. But what would you say to these families, especially children, who are sleeping under bridges in tents across the country?

The President. Well, the first thing I'd say is that I'm heartbroken that any child in America is homeless. And the most important thing that I can do on their behalf is to make sure their parents have a job.

And that's why the recovery package said as a first priority, how are we going to save or create 3.5 million jobs? How can we prevent layoffs for teachers and police officers? How can we make sure that we are investing in the infrastructure for the future that can put people back to work right away? How do we make sure that when people do lose their jobs that their unemployment insurance is extended, that they can keep their health care? So there are a whole host of steps that we've done to provide a cushion for folks who have fallen on very hard times and to try to spur immediate projects that can put people back to work.

Now, in the meantime, we've got to work very closely with the States to monitor and to help people who are still falling through the cracks. And the homeless problem was bad even when the economy was good. Part of the change in attitudes that I want to see here in Washington and all across the country is a belief that it is not acceptable for children and families to be without a roof over their heads in a country as wealthy as ours. And so we're going to be initiating a range of programs, as well, to deal with homelessness.

One area in particular I want to focus on is the issue of veterans. The rate of homelessness among veterans is much, much higher than for nonveteran populations. And so we've got—a number of the increases that we're looking for in our budget on veterans funding directly addresses the issue of homeless veterans. That, I think, can provide some real help.

Ann Compton [ABC Radio]. Hey, Ann.

Race in America

Q. Sir—hey. [Laughter]

The President. You sound surprised. [Laughter]

Q. I am surprised. Could I ask you about race?

The President. You may.

Q. Yours is a rather historic Presidency. And I'm just wondering whether in any of the policy debates that you've had within the White House the issue of race has come up, or whether it has in the way you feel you've been perceived by other leaders or by the American people. Or has the last 64 days been a relatively colorblind time?

The President. I think that the last 64 days has been dominated by me trying to figure out how we're going to fix the economy. And that's—affects black, brown, and white. And, you know, obviously, at the Inauguration I think that there was justifiable pride on the part of the country that we had taken a step to move us beyond some of the searing legacies of racial discrimination in this country. But that lasted about a day—[laughter]—and, you know, right now the American people are judging me exactly the way I should be judged, and that is, are we taking the steps to improve liquidity in the financial markets, create jobs, get businesses to reopen, keep America safe. And that's what I've been spending my time thinking about.

Jon Ward, Washington Times. Where's Jon?

Federal Funds for Stem Cell Research

Q. Right here, sir.

The President. There you go.

Q. Thank you, Mr. President.

The President. Sure.

Q. In your remarks on stem cell research earlier this month, you talked about a majority consensus in determining whether or not this is the right thing to do, to federally fund embryonic stem cell research. I'm just wondering, though, how much you, personally, wrestled with the morality or ethics of federally funding this kind of research, especially given the fact that science so far has shown a lot of progress with adult stem cells, but not a lot with embryonic.

The President. Okay. I think it's a legitimate question. I wrestle with these issues every day, as I mentioned to—I think in an interview a couple of days ago. By the time an issue reaches my desk, it's a hard issue. If it was an easy issue, somebody else would have solved it, and it wouldn't have reached me.

Look, I believe that it is very important for us to have strong moral guidelines, ethical guidelines, when it comes to stem cell research or anything that touches on, you know, the issues of possible cloning or issues related to, you know, the human life sciences. I think those issues are all critical, and I've said so before. I wrestle with it on stem cell; I wrestle with it on issues like abortion.

I think that the guidelines that we provided meet that ethical test. What we have said is that for embryos that are typically about to be discarded, for us to be able to use those in order to find cures for Parkinson's or for Alzheimer's or, you know, all sorts of other debilitating diseases—juvenile diabetes—that it is the right thing to do. And that's not just my opinion, that is the opinion of a number of people who are also against abortion.

Now, I am glad to see progress is being made in adult stem cells. And if the science determines that we can completely avoid a set of ethical questions or political disputes, then that's great. I have no investment in causing controversy. I'm happy to avoid it, if that's where the science leads us. But what I don't want to do is predetermine this based on a very rigid,

scientific—ideological approach, and that's what I think is reflected in the Executive order that I signed.

Ethics in Scientific Research

Q. I meant to ask a followup, though. Do you think that scientific consensus is enough to tell us what we can and cannot do?

The President. No. I think there's always an ethical and a moral element that has to be a part of this. And so, as I said, I don't take decisions like this lightly. They're ones that I take seriously. And I respect people who have different opinions on this issue. But I think that this was the right thing to do and the ethical thing to do. And as I said before, my hope is, is that we can find a mechanism, ultimately, to cure these diseases in a way that gains 100 percent consensus. And we certainly haven't achieved that yet, but I think on balance this was the right step to take.

Stephen Collinson, AFP [Agence France-Presse].

Middle East Peace Process/Domestic Agenda/Iran

Q. Mr. President, you came into office pledging to work for peace between Israel and the Palestinians. How realistic do you think those hopes are now, given the likelihood of a Prime Minister who's not fully signed up to a two-state solution and a Foreign Minister who has been accused of insulting Arabs?

The President. It's not easier than it was, but I think it's just as necessary. We don't yet know what the Israeli Government is going to look like, and we don't yet know what the future shape of Palestinian leadership is going to be comprised of. What we do know is this: That the status quo is unsustainable; that it is critical for us to advance a two-state solution where Israelis and Palestinians can live side by side in their own states with peace and security.

And by assigning George Mitchell the task of working as Special Envoy, what we've signaled is that we're going to be serious from day one in trying to move the parties in a direction that acknowledges that reality. How effective these negotiations may be, I think we're going to have to wait and see. But, you know, we were here for St. Patrick's Day, and you'll recall that we had what had been previously sworn enemies celebrating here in this very room, you know, leaders from the two sides in Northern Ireland that, you know, a couple of decades ago or even a decade ago, people would have said could never achieve peace. And here they were, jointly appearing and talking about their commitment even in the face of violent provocation. And what that tells me is that if you stick to it, if you are persistent, then these problems can be dealt with.

That whole philosophy of persistence, by the way, is one that I'm going to be emphasizing again and again in the months and years to come, as long as I'm in this office. I'm a big believer in persistence. I think that when it comes to domestic affairs, if we keep on working at it, if we acknowledge that we make mistakes sometimes and that we don't always have the right answer and we're inheriting very knotty problems, that we can pass health care, we can find better solutions to our energy challenges, we can teach our children more effectively, we can deal with a very real budget crisis that is not fully dealt with in my budget at this point but makes progress.

I think when it comes to the banking system, you know, it was just a few days ago or weeks ago where people were certain that Secretary Geithner couldn't deliver a plan. Today the

headlines all look like, well, all right, there's a plan. And I'm sure there will be more criticism, and we'll have to make more adjustments, but we're moving in the right direction.

When it comes to Iran, you know, we did a video sending a message to the Iranian people and the leadership of the Islamic Republic of Iran. And some people said, "Well, they did not immediately say that we're eliminating nuclear weapons and stop funding terrorism." Well, we didn't expect that. We expect that we're going to make steady progress on this front. We haven't immediately eliminated the influence of lobbyists in Washington. We have not immediately eliminated wasteful pork projects. And we're not immediately going to get Middle East peace. We've been in office now a little over 60 days.

What I am confident about is that we're moving in the right direction and that the decisions we're making are based on how are we going to get this economy moving, how are we going to put Americans back to work, how are we going to make sure that our people are safe, and how are we going to create not just prosperity here but work with other countries for global peace and prosperity. And we are going to stay with it as long as I'm in this office, and I think that you look back 4 years from now, I think, hopefully, people will judge that body of work and say, this is a big ocean liner—it's not a speedboat, it doesn't turn around immediately—but we're in a better place because of the decisions that we make.

All right. Thank you, everybody.

NOTE: The President's news conference began at 8:01 p.m. in the East Room at the White House. In his remarks, he referred to Paul Holland, vice chairman of the board, Serious Material, Inc.; Secretary of the Treasury Timothy F. Geithner; Prime Minister Gordon Brown of the United Kingdom; and George J. Mitchell, U.S. Special Envoy for Middle East Peace. Some reporters referred to State Attorney General Andrew M. Cuomo of New York; and Prime Minister-designate Benjamin Netanyahu and Foreign Minister-designate Avigdor Lieberman of Israel.

Categories: Interviews With the News Media : News conferences :: March 24.

Locations: Washington, DC.

Names: Brown, Gordon; Bush, George H.W.; Bush, George W.; Calderon Hinojosa, Felipe de Jesus; Clinton, William J.; Gates, Robert M.; Geithner, Timothy F.; Holland, Paul; Levin, Carl; McCain, John; Mitchell, George J.; Rudd, Kevin M.

Subjects: Afghanistan : U.S. military forces :: Deployment; Armed Forces, U.S. : Service members :: Posttraumatic Stress Disorder (PTSD), treatment efforts; Armed Forces, U.S. : Service members :: Service and dedication; Armed Forces, U.S. : Service members :: Traumatic brain injuries, treatment efforts; Australia : Prime Minister; Budget, Federal : Deficit ; Budget, Federal : Deficit; Budget, Federal : Fiscal year 2010 budget; Budget, Federal : Government programs, spending reductions; Budget, Federal : Procurement policies, reform; Business and industry : Corporate executives, compensation packages; Commerce, international : Financial regulations, modernization efforts; Commerce, international : Free and fair trade; Commerce, international : Global financial markets :: Stabilization efforts; Commerce, international : Group of Twenty (G-20) nations ; Defense and national security : Border security; Defense, Department of : Defense contracts :: Cost overruns; Defense, Department of : Secretary; Diseases : Alzheimer's disease; Diseases : Parkinson's disease; Economy, national : American Recovery and Reinvestment Act of 2009; Economy, national : Corporate responsibility; Economy, national : Credit markets, stabilization efforts; Economy,

national : Dollar, value of; Economy, national : Economic concerns; Economy, national : Financial regulations, modernization efforts; Economy, national : Recession, effects; Economy, national : Strengthening efforts; Education : Global competitiveness; Employment and unemployment : Job creation and growth; Employment and unemployment : Unemployment insurance; Energy : Alternative and renewable sources and technologies; Energy : Foreign sources; Energy : Greenhouse gas emissions, regulation ; Health and medical care : Abortion; Health and medical care : Cost control reforms; Health and medical care : Health insurance, protection of coverage; Health and medical care : Medicare and Medicaid; Housing : Homelessness; Housing : Mortgage refinancing regulations; Iran : Diplomatic relations with U.S., reestablishment; Iraq : U.S. military forces :: Deployment; Mexico : Crime and narco trafficking; Mexico : President; Middle East : Peace and democracy efforts; Middle East : U.S. Special Envoy for Middle East Peace; Saint Patrick's Day; Science and technology : Bioethics issues; Science and technology : Stem cell research; Taxation : Charitable donations, deductions; Taxation : Tax relief; Treasury, Department of the : Secretary; Treasury, Department of the : Troubled Asset Relief Program; United Kingdom : Northern Ireland :: Peace efforts; United Kingdom : Prime Minister; Veterans Affairs, Department of : Funding; Veterans Affairs, Department of : Homelessness, assistance and mitigation efforts; Veterans Affairs, Department of : Veterans hospitals, admission backlogs.

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