Administration of Barack H. Obama, 2009

Remarks at a Town Hall Meeting and Question-and-Answer Session in Costa Mesa, California
March 18, 2009

The President. Thank you. Thank you, everybody. Everybody have a seat. We're going to be here a while. Well, thank you so much Orange County for the wonderful reception. Thank you.

First of all, let me thank Jerome for the wonderful introduction, give him a big round of applause. We've got a number of elected officials who are here, who I want to acknowledge. We've got the Lieutenant Governor, John Garamendi, give the Lieutenant Governor a big round of applause. We've got the Secretary of Labor, Hilda Solis, who is here; got an outstanding Member of Congress, Representative Loretta Sanchez. Now, this is not Loretta's district, this is actually Dana Rohrabacher's district——

Audience members. Booo!

The President. No, no, no, we actually—our office screwed up and, I think, didn't get the invitation to him on time, so he's not here. No—it was a screw-up on our part. So I want to let him know we're sorry about that, and I want everybody to give him a big round of applause; it's his district.

Secretary of State Debra Bowen is here. State comptroller John Chiang is here. Superintendent of Public Instruction Jack O'Connell is here, and I've got a couple of others. We've got the Mayor of Santa Ana, Miguel Pulido, who's here. We've got—let's see, who else? We have—State Senator Jose [Lou][*] Correa is here. We have State Representative Jose Solorio here. We have—the State Democratic Party Chair Art Torres is here. And a great friend and supporter, Steve Westly, is here. Give everybody a round of applause. I hope I did not miss anybody.

Now—and all of you are here, give yourself a big round of applause. All right. Now, let me just say that, for those of you who have chairs, go ahead and sit down so folks behind you can see. All right. Make sure to sit down if you've got a chair. We'll have time to shake hands afterwards.

Now, it is always good to get out of Washington for a little while and come to places like Costa Mesa. The climate is a lot nicer and so is the conversation. So I am looking forward to taking your questions in a few minutes and talking to you about your concerns. But before I do, I want to say a few words at the top. And I'm going to start out just by talking about these AIG bonuses you've been hearing about.

Now, I know a lot of you are outraged about this, rightfully so; I'm outraged too. It's hard to understand that a company that's relying on extraordinary assistance from taxpayers to keep its doors open would be paying anybody lavish bonuses. It goes against our most basic sense of what's fair and what's right; it offends our values. But these bonuses, outrageous as they are, are a symptom of a much larger problem, and that's the system and culture that made them possible, a culture where people made enormous sums of money taking irresponsible risks that

[*] White House correction.

have now put the entire economy at risk. So we're going to do everything we can to deal with these specific bonuses.

And I know Washington is all in a tizzy and everybody is pointing fingers at each other and saying it's their fault, the Democrats' fault, the Republicans' fault. Listen, I'll take responsibility; I'm the President. We didn't grant these contracts, and we've got a lot on our plate, but it is appropriate, when you're in charge, to make sure that stuff doesn't happen like this. So we're going to do everything we can to fix it. So for everybody in Washington who's busy scrambling, trying to figure out how to blame somebody else, just go ahead and talk to me, because it's my job to make sure that we fix these messes, even if I don't make them.

But what's just as important is that we make sure we don't find ourselves in this situation again, where taxpayers are on the hook for losses in bad times and all the wealth generated in good times goes to those who are at the very top of the income ladder. That's the kind of ethic we've had for too long. That's the kind of approach that led us into this mess. That is something we have to change if we're truly going to turn our economy around and move this country forward.

So I'm absolutely committed to ensuring that we have the tools we need to prevent the kinds of abuses that sent AIG spiraling. And we've got to make sure that we've got regulations that don't allow companies to take these huge risks that are so big that they can sort of hold us hostage. We can't let them fail because it would bring the entire banking system down and hurt a lot of innocent people, but on the other hand, they act irresponsibly. We have to make sure we don't put ourselves in that position.

And I'm also committed to ensuring that if we ever do have to intervene again to prevent a bankruptcy that could cause catastrophe for the whole financial system, then we have some of the tools that a bankruptcy judge has to help renegotiate contracts, to sell off insolvent parts of an institution, to protect the healthy parts, to protect depositors and creditors and other consumers.

We also want to do this because it serves the most important goal we have today, which is to rebuild our economy in a way that's consistent with our values, an economy—and I want to describe to you the kind of economy that we want to build: an economy that rewards hard work and responsibility, not high-flying financial schemes; an economy that's built on a strong foundation, but not one that's propelled by overheated housing markets and maxed-out credit cards. In other words, we want to build an economy that offers prosperity for the long run. You remember that ad that they used to have out there that said, "We earn money the old-fashioned way; we earn it." Well, we need to get back to that philosophy, because that's what all of you do. You're out there earning a living, and we've got to reward people who are working hard, not the bubble-and-burst economy we've experienced in recent years.

We don't need these house of cards, these Ponzi schemes, even when they're legal, where a relatively few do spectacularly well while the middle class loses ground. You know what I'm talking about. I don't need to tell you these are challenging times. I don't need to tell you this because you're living it every day. One out of every 10 Californians is out of work right now. You've got one of the highest foreclosure rates in the Nation. Budget cuts are threatening the jobs of thousands of teachers across the State.

But here's what I know—here's what I want you to know: We are not only going to make it through this crisis, we are going to come out on the other side a stronger and more prosperous nation. I can't tell you how long it's going to take or what obstacles we'll face along the way, but

I can promise you this, there will be brighter days ahead, here in California and all across America. But that's only going to happen if we pull together and focus on the big things, focus on the long term. We've got to get past this petty bickering, the constant trivialization of politics, and focus on getting the job done.

And we're already—we're seeing signs of progress. Because of the Recovery Act that your two outstanding Senators—Senator Feinstein and Senator Boxer—along with Congresswoman Sanchez, worked so hard to pass and that I signed into law the other week, a new hospital will be built at Camp Pendleton that will give our service men and women the care they deserve.

Over in Inglewood, the police department is planning to expand its staff by 30 people. Orange County is hoping to add a new lane on SR–91, creating about 2,000 jobs—[*applause*]—creating about 2,000 jobs and easing congestion in the process. These are just a few of the 396,000 jobs we will create or save in California, and the 3.5 million jobs we'll create or save across America over the next 2 years.

We are also taking unprecedented steps to unlock our frozen credit markets so families can get the loans they need to buy a home or a car and businesses can pay for inventory or make payroll. That's why earlier this week, we took a sweeping step to free up loans for entrepreneurs, helping them start and grow the small businesses that employ half of our private-sector workers. That's why we're creating a fund that will help support up to $1 trillion in loans, including auto loans and college loans. That's why we've launched a housing plan that will help responsible homeowners save money by refinancing their mortgage loans.

Now, none of this will make any difference, however, unless we strengthen our economy over the long term, unless we put our economy on a firmer footing by rebuilding its foundation. And that's exactly the purpose of the budget I'm submitting to Congress. It's a budget that makes hard choices about where to save and where to spend. Because of the massive deficit we inherited and the costs of this financial crisis, we are going through our books line by line so that we can cut our deficit in half by the end of my first term and reduce it by $2 trillion over the next decade. Now, what we will not cut—what we will not cut—are investments that will lead to real growth and real prosperity, investments that will make a difference in the lives of this generation and future generations.

Let me give you some examples. Because of spiraling health care costs that are crushing our families, dragging down our entire economy, and represent one of the fastest-growing parts of our Federal and State budgets, we've made a historic commitment to health care reform in this budget, reform that brings us closer to the day when health care is affordable and accessible for every single American.

Because we know that countries that out-educate us today will out-compete us tomorrow, this budget invests in a complete and competitive education for every American, in early childhood education programs that work, in high standards and accountability in our schools, in finally putting the dream of a college degree or technical training within reach for anyone who wants it.

Because we know that enhancing America's competitiveness will also require reducing our dependence on foreign oil and building a clean energy economy, this budget will spark the transformation we need to create green jobs and launch renewable energy companies right here in California. It makes clean energy the profitable kind of energy. It invests in technologies like wind power and solar power and fuel-efficient cars and trucks powered by batteries like the ones I'll be seeing in Rosemead tomorrow, all of which will also help combat climate change, because the weather is already nice in Orange County; we don't want it to get warmer.

So that's what this budget does. Now, here's what it does not do.

Audience member. We love you, Obama!

The President. I love you back.

Here's what the budget does not do. It does not raise the taxes of any family making less than $250,000 a year by a single dime. In fact, 95 percent of all working families will receive a tax cut as a result of our recovery plan. Now, there are those who say these plans are too ambitious; we should be trying to do less not more. "Obama is trying to do too much," they say. "Just focus on Wall Street, focus on the banks."

Audience members. Nooo!

The President. Well, I say our challenges are too large to ignore. The cost of health care is too high to ignore. The dependence on oil is too dangerous to ignore. Our education deficit is too wide to ignore. To kick these problems down the road for another 4 years or 8 years, that would be to continue the same irresponsibility that got us to this point. I didn't run for President to pass on our problems to the next generation or the next President. I ran for President to solve these problems so that you've got a better shot at life.

Audience members. Obama! Obama! Obama!

The President. So I know folks in Washington and folks on Wall Street are saying, no, no, no, one problem at a time—our problems. [*Laughter*] I understand the thinking behind that, and it's true, we've got to solve this banking crisis. There's no doubt about it. Not because I'm that concerned about the bankers, but because I'm concerned about you. And we've got to get liquidity and credit flowing again to small businesses, to people who want to buy a car or who want to refinance a home. So I understand their thinking about solving that problem. But, you know, I've said before, when you're President, you've got to walk and chew gum at the same time.

It would be nice if I could just pick and choose what problems to face and when to face them, and say, no, I'm sorry, hold off on health care; Afghanistan, let's put that aside for a while. You know, I would sleep a little easier. But that's not the way it works. It doesn't work that way for you. It doesn't work that way for you. You don't get to choose between paying your mortgage bills or your medical bills. You don't get to choose between paying your kids' tuition and saving enough for retirement. You don't get to say, "Well, I'm sorry, hold on a second, you know, I really got to take on some issues at home here so I don't think I'm going to go to work for a week." It would be nice to do, but you don't do that. You need to take all these problems on. And you need a government that's going to help you on all these problems, that will do the same. That's what leadership is all about.

And that's what this debate on the budget is all about—about whether we are willing to do what needs to be done not only to get our economy moving right now, but to put it on the road to lasting, shared prosperity. It can be easy to lose sight of this. It's easy for pundits to get on TV and put their ratings ahead of their own sense of responsibility and try to oversimplify what's at stake. It can be difficult to break free from the partisanship that's held sway in Washington for so many years. But that's what we have to do; that's what this moment requires.

For all of you know deep down—and what folks in Washington sometimes forget—in the end, a budget is not merely numbers on a page or a laundry list of programs. It's about your lives; it's about your families; it's about your dreams for the future. You did not send us to Washington to stand in the way of your aspirations. You didn't send us there to say no to change. You sent us there to get things done and bring about change, and that's what I intend to do. But I can't do it without you. I can't do it without you, the American people. That's why I'm here today, because it will take all of us talking with one another and all of us working together to see our Nation through this difficult time and bring about that brighter day. So I hope you're all ready to get to work.

I want to thank you all for this opportunity to speak with you. Here's what we're going to do. We're going to open it up to questions. And I know there are a lot of folks back there too, so I'm going to try not to completely discriminate to the folks who got here in front. There are no rules to this, except a couple. [*Laughter*] First of all, this—nobody has been preselected here, so, you know, I don't mind if you want to take me to task. If you think I'm a bum and doing a bad job, you go ahead and ask your question.

The only thing I'd ask is everybody raise their hands, number one—not everybody now, I mean everybody who has a question. [*Laughter*] Number two is that I'm going to go girl, boy, girl, boy, so it's fair. [*Laughter*] Number three, I would ask that everybody try to keep their question relatively brief so that we can get as many questions in as possible. Now, it doesn't have to be a question, it can be a comment as well, but, you know, we want to try to keep the speeches to a minimum. And I will try to also answer questions as briefly as possible.

Okay? All right. And I hope you don't mind, I'm going to take off my jacket. If you guys are hot—[*applause*]. I'm hot. Okay. Thanks, Mike. All right. We're going to call on this young lady right here. And wait till you get a microphone so everybody can hear you. Introduce yourself if you can.

2012 Presidential Election

Q. Good afternoon, President Obama. My name is Mrs. Victoria Ravon-Woodbirth, and I have a very simple question. Do you have intentions of, when the reelection comes, of running for President again?

The President. Oh, well, the—first of all, let me say this: I've been in office for 2 months now; the last thing I'm thinking about is reelection. But I will tell you this—I mean—and this is a serious answer to your question: If I could get done what I think needs to get done in 4 years, even if it meant that I was only President for 4 years, I would rather be a good President taking on the tough issues for 4 years than a mediocre President for 8 years.

So I will—and I will also say this, that my obligation is to make sure that we've improved our economy, that we've gotten serious on health care, made significant progress on energy, made education more affordable, and improved the excellence of our educational system K–12, that we have started controlling our deficits.

So there's some very specific standards by which I think you should hold me accountable and measure my success. And if I don't deliver on those things 4 years from now, then I think you will be answering the question of whether I run for reelection or not, because ultimately I'm answerable to you; I'm your employee. Okay?

All right, the gentleman in the black shirt right here.

Economic Stabilization Funds

Q. Mr. President.

The President. Yes, sir.

Q. My name is Cliff Cannon. My question concerns those States who have refused to take certain portions of the stimulus money. Is there any way to reallocate that money to those States who are willing recipients—[*laughter*]—such as California?

The President. Well, look, we had a vigorous debate on the stimulus, on the Recovery Act, and let me just say a couple of things about the Recovery Act. Number one, there was almost uniform consensus among both conservative and liberal economists that when you have the economy on such a free-fall, that you need a big stimulus to try to make sure that goods and services are still being purchased, and that the decline in demand, as consumers pull back, is being filled. If you don't, then the recession gets even worse. There's almost uniform consensus on it. So that's point number one.

Point number two: The Recovery Act that we put forward contained some provisions in it that I don't think anybody should be able to argue with—that we're providing extended unemployment insurance to people who have lost their jobs; that we are allowing—if you've lost your job, right now you can get COBRA, but you can't afford COBRA—so subsidizing health insurance for people who have lost their jobs, investing in our roads and our bridges and our infrastructure, so that we are more competitive over the long term.

Now, there are some people—there have been just a handful of States, two or three, who have said, "We don't want to take some of the unemployment insurance." Because what we said was that a portion of this unemployment insurance—you have to make it more available to people who are temporary workers or part-time workers because the labor force has changed and there are a lot of people, particularly women, who, you know, they may have children, they may be working part-time, but when they lose that job it's tough for them. So we've got to modify how we think about unemployment insurance, and they said, "Well, we don't want to change how we do things." I think that's a mistake, and I think that the folks in those States should let them know that it's a mistake. And I'm still hopeful that they may end up changing their minds. But I will keep in mind what you just said, which is there's at least one guy in California who's willing to take the money. So—[*applause*].

Can I make one last point? I hope you don't mind. Can I make one last point about this stimulus package? I want to make a larger point about the deficit and the national debt, because the main argument that you're hearing right now in opposition to some of our economic plans, including our budget, is you've got all this money going out, you're creating huge deficits and debt, and that's irresponsible.

Well, first of all, most of these critics presided over a doubling of the national debt. We are inheriting a $1.3 trillion deficit. So they don't have the standing to make this criticism, I think, given how irresponsible they've been. That's point number one. Having said that, even somebody who caused the problem isn't wrong when they say it is a problem that we've got this big debt and these big deficits.

So what we've tried to do is to say, let's, right now, just focus on getting the economy back on track, reducing unemployment, creating jobs, making sure our school systems still have teachers, cops are still on the streets, firefighters are still in the station house. Let's do what we need to do to get through this difficult time. Let's make some investments in health care, energy, education that will lay the foundation for long-term economic growth. But let's also start making some tough choices about the deficit as soon as we get out of this recovery.

So, for example, we can't keep on providing the insurance companies huge subsidies under Medicare for a program called Medicare Advantage that doesn't make our seniors any healthier than the regular Medicare plan. We need to go ahead and use that money for other things.

We can't keep on giving these huge procurement contracts to defense industries that end up being 50, 60, 100 percent over budget—very good for contractors, not so good for taxpayers. So we've got to institute reforms, and we've already identified potentially pulling $40 billion out annually in savings on procurement.

Those are the kinds of things—those are the kinds of steps that we need to take. And we are going to go through this budget line by line, and some of these choices may be difficult. I won't lie to you; we can't keep on just printing money and saying we'll let our children worry about it. But we have to do it in a way that right now focuses on just getting people back on their feet, getting the economy running again. And then we're going to have to make some difficult choices, especially over some of these longer term entitlements like Social Security and Medicare.

All right, this young lady right here. Hold on a second, we've got a mike right here, right in front.

Small Business Administration Loans/Lines of Credit

Q. Thank you. Hello, Mr. President.

The President. Hello.

Q. My name is Joan Earheart, and I'm a community bank SBA lender and have proudly been one for 20 years. We're very, very excited about the stimulus package, and we are going to do everything we can to get the money out there, including financing the construction projects that you're talking about. However, as a lender and as a bank, we have a problem that I feel needs to be addressed. When we make loans that are less than the normal quality, even with the SBA guarantee, the regulators tend to criticize us. And when they criticize us, they make us set aside reserves as if the loan is going to be bad, and that eats into our capital. That's part of the problem that banks are having right now and why they needed the TARP money. Not all banks are bad banks, as you know, and as a community bank that's been around for 85 years, we haven't even taken TARP money. We want to make SBA loans, but we don't want to get our hands slapped by the regulators when we try to help these people. And last year is going to be a less than stellar tax return for everybody that's had a problem, that is going to come to the SBA for help.

Will you be able to speak with the regulators and set some kind of new bar so that we won't be criticized, and we can actually go out and loan this money that we want to?

The President. Well, you make a terrific point. This is a excellent point. Let me say a couple of things on this. First of all, just so everybody caught the issue here, there are a lot of community banks, smaller banks, local banks that did not act irresponsibly. They weren't involved in, you know, buying some of these weird financial instruments that didn't work; they're not paying out the $100-million bonuses. You don't look like you got a $5-million bonus. [*Laughter*] You wish, right? Yes, they're working with local businesses, small businesses, small contractors. They take in deposits; they do what banks are supposed to do.

They're still having some problems—local community banks—and they're having some problems in two areas. Number one is, a lot of these community banks give Small Business

Administration loans, SBA loans, that are guaranteed by the Federal Government, but the problem is, is that historically what they've done is they get the loans and then they sell them on what's called the secondary market. They sell them to other parties who invest in these loans. The problem is all these secondary markets have all frozen up right now because everybody is so nervous about all these losses that have been happening on Wall Street.

So we just announced this week a program that will allow the Treasury Department to buy these loans directly from the community banks, so if you've got $5 million worth of loans, SBA loans, already on the books, you can sell them to Treasury. That will then mean that you'll have $5 million that you can now put back to work providing loans without worrying about your capital—your capital ratios. So that's—so we'll—you should find out—this is on our web site, the White House web site; it will tell you about this program.

Now, you're right, though, we still have a problem that a lot of small businesses are seeing their credit lines restricted. And part of that has to do with the issue you're talking about, which is regulators may be saying to banks, look, we're worried about all these losses, so pull back on what you consider riskier loans. Well, if you've got a credit line to a small business, and they're seeing some of their business dry up right now, then you might be saying to yourself, maybe I can't continue that credit line.

We don't have direct authority—the White House does not have direct authority over these regulators. These regulators are supposed to be somewhat independent from politics. But, you know, we have had conversations to note that during a difficult period like this, we want to make sure that the bottom line is ultimately that liquidity and lending is going out the door. And I think that we're going to be having broader conversations with the community banks to figure out how can we take even further steps to help them be in a position to help the small businesses and individuals who depend so much on banks like yours. Okay?

All right, this young man right here. This young man right here. He's been——

Audience member. Come on back here next time.

The President. Okay. [*Laughter*] See, I'll admit that part of the reason—[*laughter*]—it's just—I'm getting old, and it's hard to see you guys back there. [*Laughter*] Go ahead.

Immigration Reform

Q. My name is Ivan Martinez. I'd like to ask you what are you planning to do on immigration, the broken system that we have? And when do you plan on doing this?

The President. I just met with the Congressional Hispanic Caucus today—which Congresswoman Sanchez is a member of—to talk about this issue directly. As many of you know, during the campaign I was asked repeatedly about this, and I reiterated my belief that we have to have comprehensive immigration reform.

Now, I know this is an emotional issue; I know it's a controversial issue; I know that the people get real riled up politically about this, but ultimately, here's what I believe: We are a nation of immigrants, number one. Number two, we do have to have control of our borders. Number three, that people who have been here for a long time and put down roots here have to have some mechanism over time to get out of the shadows, because if they stay in the shadows, in the underground economy, then they are oftentimes pitted against American workers. Since they can't join a union, they can't complain about minimum wages, et cetera, they end up being abused, and that depresses the wages of everybody, all Americans.

So I don't think that we can do this piecemeal. I think what we have to do is to come together and say, we're going to strengthen our borders. And I'm going to be going to Mexico; I'm going to be working with President Calderon in Mexico to figure out how do we get control over the border that's become more violent because of the drug trade. We have to combine that with cracking down on employers who are exploiting undocumented workers. We have to make sure that there's a verification system to find out whether somebody is legally able to work here or not. But we have to make sure that that verification system does not discriminate just because you've got a Hispanic last name or your last name is Obama. [*Laughter*]

You've got to—and then you've got to say to the undocumented workers, you have to say, "Look, you've broken the law; you didn't come here the way you were supposed to, so this is not going to be a free ride. It's not going to be some instant amnesty. What's going to happen is you are going to pay a significant fine. You are going to learn English. You are going to—you are going to go to the back of the line so that you don't get ahead of somebody who was in Mexico City applying legally. But after you've done these things over a certain period of time you can earn your citizenship," so that it's not—it's not something that is guaranteed or automatic. You've got to earn it, but over time you give people an opportunity.

Now, it only works though if you do all the pieces. I think the American people, they appreciate and believe in immigration. But they can't have a situation where you just have half a million people pouring over the border without any kind of mechanism to control it. So we've got to deal with that at the same time as we deal in a humane fashion with folks who have put down roots here, have become our neighbors, have become our friends, they may have children who are U.S. citizens. That's the kind of comprehensive approach that we have to take. All right. Okay.

All right, I promised to go back there. I promised to go back there, but I can't see anybody, so—but it's a girl's turn; it's a lady's turn. There's a whole bunch of folks just kind of waving. One young woman from the back, just go ahead and—somebody with a mike go find somebody. There you go. I can't see.

Education Reform

Q. Thank you. Hi, my name—oops, that's really loud. My name is Isa, and I'm a teacher in Santa Ana. Thank you. And I got my RIF notice on Saturday and——

The President. You got—I'm sorry, you got what notice?

Q. My RIF notice, which is I'm going to be—the intention to be laid off.

The President. A pink slip?

Q. Yes, a pink slip. That's why it went pink. My question is—oh, I'm so nervous, okay. Thank you for coming.

The President. You're doing great.

Q. I just love you. Okay. Our class sizes are between 36 and 44. This is normal. I've been in the district for over 25 years. I have seen what our kids can do when someone cares. The Teacher of the Year also received a pink slip. We're talking about quality teachers being laid off because of something—I don't know what. Tomorrow we have a meeting.

My next—my real question is, you have put money towards retention; how are we going to make sure that money comes to our districts that need it the most, the urban districts?

The President. Well, look, we—most of—almost all of the money that's going to States under the Recovery Act for education is designed to retain teachers. Almost—the lion's share of it, I mean, there's some money for school construction as well, and there's some money for innovation, because we can't just put more money into the schools without also reforming the schools and making them better.

But a huge—right now the biggest chunk is for teacher retention. It generally flows in the same way the title I monies flow, so that there should be a formula that the States are working with in terms of how it's allocated to various districts. I don't know the exact figures here in California or what would happen in terms of this school district. Your school superintendent is here though. There he is right here.

Audience members. Boo!

The President. Wait, wait, wait, wait. Hold on a second. Hold on. Hey, hold on a second. It's not his fault that the State has run out of money. So he is going to—he was in a meeting with Arne Duncan, our Secretary of Education, and I stopped by in the meeting—and these were the school superintendents for all across the country, to come together and work on how do we both deal with the immediate short-term crisis, but also, how do we think about long-term reforms?

You're right that class size is something that we've got to deal with. You can't have a fifth grade class with 40 kids. There's no teacher who can deal with 40 kids all at the same time, especially if many of them are at different levels in terms of reading and math skills and so forth. So we've got to do something about that.

But what's also true, though, is we've got to provide better teacher training. There are teachers who may not know their subject matter as well as they should. They've got to be given more time to—for professional development. We've got to have more flexibility, I believe, in terms of how we reward teachers. I think that it is important for us to make sure that we have assessments that everybody can agree, because, ultimately, we've got to know that our kids are meeting high standards.

Now, it can't just be a single high-stakes standardized test, but we do need to have strong, powerful measures of performance, because schools are like anything else. We can't afford our kids to be mediocre at a time when they're competing against kids in China and kids in India who are actually in school about a month longer than our kids. So there's a whole bunch of reforms that we're going to have to do.

And the last point that I always make—so I'll make this again—is we've got to do our jobs as parents. You can't put all the burden on a teacher. [*Applause*] You can't put all the burden on a teacher. If you're not making sure your child does their homework, if you're not reading to them, instilling a sense of excellence and a thirst for knowledge in them, then they're not going to do very well, no matter how good your teacher is. Okay, so that's very important.

One last point I want to make about education. This budget that we are now arguing about—and you're going to be hearing a bunch of arguments about, oh, you know, Obama, he's a spendthrift, et cetera, et cetera—we reduce nondefense discretionary spending as a percentage of gross domestic product, but what we insist on is that we make some investments in education.

And I haven't—and one of the things that we haven't talked about is higher education. I've said we've got to increase student loans, student grants, the Pell Grant program. That's got to be a priority. That's our future, and I'm going to fight for it. I don't care how long it takes; we're going to make it more affordable to go to college, because that's what everybody needs.

All right, we need a gentleman. Gentleman in the tie right here. Since he wore a tie today, I appreciate that. [*Laughter*]

The Middle Class/National Economy

Q. It's awful hot.

The President. It's hot. I want to take mine off too, but I——

Q. I'm Bob Balgenorth. I'm president of the State Building and Construction Trades Council of California, the umbrella organization for construction unions. I would like to thank you for your leadership on the stimulus package and particularly for trying to get construction workers back to work.

But during the last 8 years, the administration chose not to enforce the Davis-Bacon requirements, chose not to enforce wage and hour conditions, and many thousands of workers were denied the wages that they were legally entitled to. What can your administration do to make sure that people get the wages that they're entitled to in this terrible economic downturn?

The President. Well, look, I have already said that we are going to promote Davis-Bacon. We think it is important that unions have the opportunity to organize themselves.

Now, you know, sometimes, you know, the business press says, oh, that's anti-business. And whenever I hear that I'm always reminded of what Henry Ford said when he first started building the Model T, and he was paying his workers really well. And somebody asked him, they said, "Why are you paying your workers so well?" He said, "Well, if I don't pay them well, they won't be able to buy a car."

Think about that. Part of the problem that we've had with our economy over the last decade at least is that—well, there are a number of problems. Number one, it turns out that a huge amount of the growth that was claimed was in the financial services industry. And now we find out that a bunch of that stuff was just a paper growth that wasn't real and vanished as soon as somebody pulled the curtain.

Another part of the problem with our economy and the way it was growing was that wages and incomes for ordinary working families were flat for the entire decade. Now, I don't need to tell you this, because you've experienced it in your own lives. You're just barely kept up with inflation while people at the very top—and look, I'll be honest with you, I'm now in that category—we were seeing all the benefits.

So when I say that we should make it easier for unions to organize and observe Davis-Bacon, all I'm trying to do is to restore some balance to our economy so that middle-class families who are working hard—they're not on welfare; they're going to their jobs every day; they're doing the right thing by their kids—they should be able to save, buy a home, go on a vacation once in a while. You know, they should be able to save for retirement, send their kids to college. That's not too much to ask for; that's the American Dream. And the only way we get there is if we have bottom-up economic growth instead of top-down economic growth. And that's why—that's why the debate about this budget is so important.

Let's talk tax policy for a second, because, again, some on the other side have said, oh, Obama, he's a tax-and-spend Democrat—tax and spend. Well, it turns out, yes. You know, what I've said is we should return to the tax rates that we had under Bill Clinton, which means this—which means that for people who are making more than $250,000 a year, they would pay—instead of 36 percent, they'd pay 39 percent, it's like a 3 percent increase on their tax rate.

Now, these folks can afford it. They were rich back in the nineties. It's not like suddenly they're going to have to go to the poor house. But what that does is it allows us to pay for health care reform for a lot of people who are out there working every day but are just one illness away from bankruptcy.

Now, that's—I don't think that's unreasonable. I don't think that's socialism. I think that's part of understanding that we're all in this together and that if the middle class is working well, if working people are doing well, then everybody does well. Then they can buy products and services and businesses will succeed. That's the philosophy that we are pursuing in this budget; that's why I need your support.

I'm going to take two more questions, two more questions. Back here, because everybody—these folks have been in the lights, so they're really hot. So we got to make sure that—anybody got a mike back here? No? No mikes over here? All these folks can't just be props back here, just sitting here. [*Laughter*] You got to give them a little love.

All right, it's a lady's turn. And we have so many nice ladies here. I feel—eeny, meeny, miney—I'm going to call on this young lady in the green right here. Go ahead, yes.

Credit Cards/Stemming the Financial Crisis

Q. Good afternoon, Mr. President.

The President. Yes.

Q. Thank you for taking my question. This is amazing.

The President. Of course.

Q. Since the American taxpayers have had to bail out a lot of large banks—Citibank, et cetera—and they don't feel they've gotten any benefit for themselves, do you support caps on the interest rates that the same companies we have bailed out with our money can charge regular consumers on credit cards, because it's up to 30 and 40 percent?

The President. It's a great question. It's a great question. This was a really good question. First of all, I generally support a credit card bill of rights, even—setting aside the whole issue of TARP and who's been getting TARP and who hasn't been getting TARP. The truth of the matter is that the banking industry has used credit cards and pushed credit cards on consumers in ways that have been very damaging.

There's a woman named Elizabeth Warren who's a professor at Harvard who did a great deal of study around this. And she made a simple point. You know, if you bought a toaster, and the toaster blew up in your face, there would be a law—a consumer safety law that would protect you from buying that toaster. But if you get a credit card that blows up in your face, that starts off at zero-percent interest, and once they kind of suck in the—buying a bunch of stuff and suddenly it's 29 percent; and if you're late 2 days, suddenly, you know, you just paid another $30, and all kinds of fine print that a lot of folks didn't understand—well, somehow that's okay. So just putting aside the issue of TARP, I think, generally, having some consumer safety, some consumer protection around credit cards, is important.

Now, all of us—I think a lot of people have learned their lesson with credit cards. And credit cards can be an important convenience, but generally speaking, if you're just running up your credit card and you don't think that there's a bill to be paid, you've got problems. So all of us, I think, have to be more thoughtful about how we use them, and, ultimately, we've got to take responsibility if we are going on shopping sprees that we can't afford. On the other hand, it's also important that we have consumer safety laws, and that's something that I want to promote and get done as President of the United States.

Now, let me talk about the larger issue of banks just for a second, because a lot of people, I know, just are so frustrated, and I am so frustrated with this banking situation. I just want to just briefly explain to you sort of what's happened.

These banks purchased a lot of what are securitized mortgage instruments. They took a lot of these subprime loans and they bundled them up, so they weren't just holding a mortgage, they were holding a whole bundle of mortgages that were made into a security, a stock. And they were sliced up, and so you could buy different pieces of these mortgages. And unfortunately, what ended up happening was a bunch of these mortgages—and this was certainly true in California, it was true all across the country—a bunch of these mortgages were based on people who never had the income to buy the house. Nobody tried to verify whether or not they could actually afford it; it was based on these complicated mathematical formulas.

And then what happened—and this is where AIG and some other companies come in—what happened was, since the banks knew that there might be some risk around having these financial instruments, they bought these things called credit default swaps that were supposed to be guarantees or insurance on these instruments—on these securities, these mortgage-backed securities.

The problem was, companies like AIG, they'd sell, like, 50 policies without having the money to cover the possibility that they would all go belly-up. So they were way overleveraged, overextended, just as the banks were way overleveraged and overextended. And in some cases they'd take a dollar worth of assets and they'd loan or use $30 off that one dollar, just to make bigger and bigger bets and take bigger and bigger risks out in the financial system. And these started getting into trillions of dollars.

And as long as nobody was checking to see if anybody was going to be able to pay back these mortgages and as long as housing prices were appreciating and this housing bubble was continuing, everybody was making a lot of money. So nobody wanted to check, and there was no serious regulation to say, hold on, stop a minute, you guys are getting way overextended; you're putting the entire financial system at risk.

So when the economy started slowing down—and in some markets like Miami and here in California, the housing market starts really weakening—and suddenly some of these subprime loans start defaulting, this whole house of cards just began to collapse.

Now, a lot of people say, well, why not just let the banks fail? Right? See, somebody is clapping. Why not just, you know—they were making all these bad bets; why don't we just let them fail, let them go bankrupt? What's the problem?

Well, here's the problem. If you've just got one small bank—I mean, unfortunately—let's take the community bank—what's the name of your community bank? Fullerton Community Bank. All right, now, let's just say this: If Fullerton Community Bank fails, heaven forbid, we've got something called the FDIC, the Federal Deposit Insurance Corporation, that would take it over. It would guarantee all the deposits so you don't have to worry about your deposits; they're not at risk. And it would be able to kind of sort things out and then resell the bank fairly quickly, and it doesn't threaten the whole system as a whole.

When you've got big banks, Citicorp or Bank of America or, you know, Wells Fargo, that controls 70 percent of the banking system, and all of them are weakening, you can't afford to have all those banks all at once start going under. Even though the deposits might be guaranteed, you've got the entire economy resting on that credit. We've got to get that credit lending, because they can take down businesses large and small alike if we don't make sure that they are still providing loans.

And so we had to step in. And it was the right thing to do—even though it's infuriating, even though it makes you angry, because you're thinking, I was responsible, and these folks are irresponsible, and somehow I'm paying for them—it was the right thing to do to step in.

The same is true with AIG. It was the right thing to do to step in. Here's the problem. It's almost like they've got—they got some—a bomb strapped to them, and they've got their hand on the trigger. You don't want them to blow up, but you got to kind of talk them, ease that finger off the trigger.

We've got to, over the next several months, come up with a plan that separates out the bad assets that they—the loans that shouldn't have been made, these credit default swaps, et cetera. We got to separate out some of those from the good assets, because there are a lot of very healthy banks. The vast majority of banks are healthy. We've got to figure out how to raise their capital—the point that you were making earlier—so that they can start lending again. This is a very complicated, difficult task. It's not easy. We're talking about a huge system that's not just national, but international.

And so we're not going to unwind this all in a day, but what I do have confidence in is that with the plans that we're putting forward, slowly you're starting to see the system stabilize. You're starting to see more loan activity taking place, some of the security markets are coming back. And if we continue to provide some guarantees and help depositors and help strengthen some of the banks that are weakened, then my expectation is, is that we're going to be able to work our way out of this problem, and we are going to be able to get back to a point where banks are lending, businesses are investing, jobs are being created, and the economy gets back on its feet.

And when that happens, we should get a bunch of the money that has been lent to these banks back. Now, we're not going to get all of it. I just—you know, if—we're not going to get 100 percent of it back in some cases. In some cases we may get 100 percent back; in some cases we might even make a profit.

I don't want to pretend that this is going to be cheap. But the point is that instead of looking backwards, the main thing we've got to do is look forwards and say, how do we make sure that we get out of this mess, but also prevent this mess from ever happening again. And that requires the kind of financial regulation that's going to be so important for our long-term future.

All right, I've got—it's a guy's turn. It's a man's—it's a man's turn, and he's got the last—this gentleman, because he's big, and I don't want him to be mad at me.

Job Market/Work Programs for Former Felons

Q. Good afternoon, Mr. President.

The President. Good afternoon.

Q. My name is Dwayne Webber, and thank you for taking the time to listen to me. Last October, I lost my job after 13 years. I was laid off. Now when I look for a job, people tell me that I have a felony from 20 years ago; I can't get no work. I have a family to support. What do I do?

The President. Well, first of all, I know how hard it is for you right now being out of work, because I can tell you've got pride, you've been working, you've been supporting your family. And one of the things that's been happening in this most recent recession is men have actually been losing jobs faster than women. And that is a very difficult thing. I mean, I know that I take great pride in, you know, taking care of my family. And it's hard when you lose your job.

The fact that you've been working steadily for 13 years post-felony seems to me a message that you made amends for your past mistakes and that you are rehabilitated and that you've proven yourself in the job market. So in that sense, I think you're actually better off than a lot of folks who make mistakes and then never get that first job that allows them to rehabilitate themselves. They've got no employment history; they're just an ex-felon. They go in and nobody gives them the time of day, and oftentimes they end up getting back into trouble.

Now, we're trying to set up some programs to help ex-felons make that transition. But frankly, based on what you're telling me, your problem is a problem that has nothing—or less to do with your felony than the fact that the job market is really tough right now. And that's why all I can tell you is we are working as hard as we can to invest in construction and infrastructure, to invest in things like clean energy, building solar panels, and wind panels—wind turbines and other things that point to a new manufacturing base and a new energy future.

We're trying to create the jobs of the future, and we're trying to get this economy moving again, fix the banking system so that you start seeing more economic activity. I have confidence that you will find a job. I have confidence in you. But in the meantime, the most that I can do is to make sure that you've got unemployment insurance that you can rely on, that you've got COBRA that you can rely on, that your family is able to get some support during these difficult times, and then to try to get these jobs created as quickly as possible.

What kind of work did you do?

U.S. Auto Industry

Q. [*Inaudible*]

The President. You looked into what?

Q. I worked in the auto industry for Toyota.

The President. In the auto industry. Well, let's talk about the auto industry for a second. Now, first of all, you worked for Toyota, which is, obviously, one of the best companies, and so you—when Toyota is having problems and laying off, that tells you how tough the problems are in the auto industry right now.

We are going to have to work to move in the direction of fuel-efficient cars and trucks. I would have expected you to say that you were working for an American car company, because they're having much bigger problems. But whether it's Toyota or GM or Chrysler or Ford or any company right now, the future is going to be in fuel-efficient cars; it's going to be in these plug-in hybrids; it's going to be in developing the battery technology that allows electric cars to run for 150 miles for every gallon of gas.

And what we need to do is to invest in research and development around this clean-energy auto technology. And one of the things that we've committed to doing in our budget is to spend $15 billion every single year in new technologies that maintain cutting-edge auto technologies that will ensure that good, efficient, clean cars are made right here in the United States of America. And hopefully we're going to put you back to work in the process.

Q. Thank you.

The President. So—all right, everybody. Thank you.

NOTE: The President spoke at 3:44 p.m. at the Orange Country Fair and Event Center. In his remarks, he referred to Jerome Hunter, chancellor, North Orange County Community College District; and State Controller John Chiang, and former State Controller Steven P. Westly of California.

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Names: Balgenorth, Bob; Bowen, Debra; Boxer, Barbara; Calderon Hinojosa, Felipe de Jesus ; Cannon, Cliff; Chiang, John; Clinton, William J.; Correa, Lou; Dequesada, Isa; Duncan, Arne; Earheart, Joan; Feinstein, Dianne; Garamendi, John; Hunter, Jerome; Martinez, Ivan ; O'Connell, Jack; Pulido, Miguel A.; Ravon-Woodbirth, Victoria; Rohrabacher, Dana; Sanchez, Loretta; Solis, Hilda L.; Solorio, Jose; Torres, Art; Warren, Elizabeth; Webber, Dwayne; Westly, Steven P.

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