

NATIONAL PRESS CLUB LUNCHEON WITH HOUSE SPEAKER NANCY PELOSI (D-CA);
SENATE

MAJORITY LEADER HARRY REID (D-NV)

SUBJECT: THE STATE OF THE UNION

MODERATOR: DONNA LEINWAND, VICE PRESIDENT, NATIONAL PRESS CLUB

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MS. LEINWAND: Good afternoon, and welcome to the National Press
Club for our speaker luncheon featuring Speaker of the House Nancy
Pelosi and Senator Harry Reid.

My name is Donna Leinwand, and I am vice president of the
National Press Club and a reporter for USA Today. I'd like to welcome
Club members and their guests in the audience today, as well as those
of you watching on C-SPAN. We are looking forward to today's speech,
and afterwards I will ask as many questions as time permits.

Please hold your applause during the speech so that we have time
for as many questions as possible. For our broadcast audience, I'd
like to explain that if you hear applause, it may be from the guests
and members of the general public who attend our luncheons and not
necessarily from the working press. (Laughter.)

I'd now like to introduce our head table guests and ask them to
stand briefly when their names are called. From your right: Laura
Litvan, congressional reporter for Bloomberg; Ed Epstein, reporter at
Congressional Quarterly; Deborah Silomayo (sp), senior vice president

at Hager-Sharps (sp); Lisa Mascaro, reporter for the Las Vegas Sun; Brendan Daly, communications director and guest of the speaker; Al Easley (sp), editor at large for The Hill; and skipping over our guests of honor and the podium, Angela Greiling Keane, Bloomberg News, and chair of the NPC speakers committee; skipping over our other guest, Jonathan Allen, Congressional Quarterly, and NPC member who organized today's event -- thank you, Jonathan; Marilyn Geewax, national economics correspondent for Cox News; Zach Coyle (sp), Washington correspondent for the San Francisco Chronicle; David Hess, a reporter at the National Journal and a former Press Club president; and John Fogarty, an editor at BulletinNews.com and a former Press Club president. (Applause.)

House Speaker Nancy Pelosi of California is the highest-ranking woman in the history of American government, sitting second in line to the presidency. The mother of five and grandmother of seven grew up on congressional politics, literally. Copies of the Congressional Record were stacked beneath her childhood bed, the reading material of her father, former Baltimore congressman and mayor Thomas D'Alessandro.

Pelosi left a Capitol Hill job in the 1960s to follow her husband Paul to San Francisco but returned as a newly elected congresswoman in 1987. She made her mark as a member of the Appropriations Committee and rose to minority whip and minority leader.

In 2006 she led her party to the majority for the first time in a dozen years and was rewarded with the speakership. Pelosi quickly pushed through a series of Democratic campaign promises, including an increase in the minimum wage, implementation of September 11th commission recommendations, and lowering college loan rates.

But she took a lot of grief from Republicans for a budget meltdown and from Democrats for failing to force President Bush's hand on their top priority -- ending the war in Iraq.

It is the state of the Union in the president's final year in office, with troops in Iraq and a mounting economic crisis at home, that the speaker will address today in tandem with her Senate partner, Majority Leader Harry Reid.

Reid, of Nevada -- Searchlight, Nevada, as he will be very quick to tell you -- presides over the thinnest of majorities in the Senate, leading 48 Democrats and two Democratic-leaning independents. He is limited in nearly everything he attempts by the minority's ability to block action with just 41 votes, a tactic he employed with great success to stop the Republican agenda in previous years.

He, too, has been criticized for a lack of action and the breakdown of the appropriations process in the 110th Congress. But Reid has fought back. A former amateur boxer, he has been quick to throw jabs and sometimes roundhouses at President Bush. He had to apologize after calling the president a "loser" in 2005.

He has been described as a political junkie, an insider and a tough tactician. And this is a quote: "He will also kneecap you if you cross him." And it came from fellow Democrat Chuck Schumer of New

York. (Scattered laughter.) Or, as a University of Nevada political scientist once put it, quote, "He likes to say he'd rather dance than fight, but a lot of people have gotten bruised dancing with him." (Scattered laughter.)

The hard edge aside, Reid is well-liked by his Democratic colleagues and has had good working relationships with Republicans, with whom he shares some conservative social views. Like Pelosi, Reid used a spot on the Appropriations Committee, where favors are traded and deals hammered out to build a political constituency in the Senate.

He moved up from whip to minority leader after Tom Daschle lost in 2004. Reid helped engineer the strategy that gave Democrats the six seats needed to take the majority in 2006. He appears to be on the verge of expanding that majority this year, but there are lots of rounds between now and November.

And to hear about them, we'll have Speaker Nancy Pelosi first. (Applause.)

REP. PELOSI: Thank you very much, Donna, for that very interesting introduction. (Laughter.)

Congratulations to the National Press Club on your 100th anniversary. How wonderful to be here with you on this occasion. (Applause.)

It's an honor once again to join Leader Reid to offer the Democratic view on the state of the Union. As the introductions were being made and Deborah was introduced, she was reminding me earlier of the first time that I came here for this "prebuttal," when Senator Daschle was the Democratic leader in the Senate. We've had a few in between, haven't we, Harry? And let's hope this is our last Democratic "prebuttal" -- (scattered applause) -- that next year we will have a Democratic president. (Applause.)

As speaker of the House, I'm proud to talk about the work of the 110th Congress since we were here last year, what we have done to restore faith in our democracy by enacting landmark lobbying and ethics reform, reasserting congressional oversight and restoring fiscal responsibility.

Now we must strengthen America's faith in the economy. Yesterday House Democrats and Republicans reached a bipartisan agreement to immediately jump-start the slowing economy. The plan provides working Americans, middle-income families and those who aspire to the middle class, who are struggling in these difficult times, with timely, targeted and temporary relief.

Because of this effort, more than 100 million American families will soon receive what I call recovery rebates. The package also gives families a second chance at the American dream of home ownership by helping middle-income families refinance and avoid foreclosure.

The House will move quickly to approve this package, which will provide broad-based help to the middle class, again, and those

aspiring to it. It will create jobs and it will stimulate the economy.

If there's any doubt of the need for immediate action on our stimulus package to strengthen middle-class families, consider the story of Florice Seester (sp) of Charlotte, North Carolina. Florice (sp) works full-time in customer service for a major telecommunications company, yet she worries that her paycheck will not stretch far enough to cover rising gas prices. Florice's (sp) five-year-old son even offered to loan her \$9 from his piggy bank to help fill up the family car. She turned him down, she said, because she already owed his piggy bank \$50.

Americans like Florice (sp) deserve an economy that rewards their hard work, helps them provide for their families, and renews the American dream for their children. That is why the House will act quickly and decisively to put recovery rebates in the hands of hard-working Americans.

While 2008 is a time to get America's economy moving again, it is also a year when we will be choosing a new leader for our future. I know Americans will find that leadership among our outstanding Democratic candidates. But we cannot wait for the next presidential election to address long-term challenges. We have already begun to chart a new direction to strengthen our economy and create jobs for the middle class.

As was mentioned by Donna, we increased the minimum wage for the first time in 10 years.

We advanced our innovation agenda to make serious and sustained investments in research and development, and promote public-private partnerships that develop high-risk, high-reward ideas into marketable technologies. We must combine, and continue to chart a new direction for our economy that creates new knowledge-based jobs as we tackle every major challenge.

And our point is, is that we can, and we must, create jobs. And we can do so in a new an innovative entrepreneurial way in these four areas by bringing innovation to education; by promoting better health care for all Americans; by rebuilding our infrastructure; and by addressing the climate crisis and global warming. We must bring an innovative and entrepreneurial spirit to the work of government and make fiscally sound investments that will pay dividends for the future.

For education we will chart a new direction where innovation not only begins in the classroom, but where innovation will also change the classroom and the way children learn. We must ensure that students are prepared for a globalized world, and workplaces that will increasingly require them to work in teams -- collaborating across companies, communities and continents. We must ensure that our children are not just learning basic skills -- they're very important, but also learning critical thinking and the ability to apply knowledge to new challenges.

To begin this effort we must leap-frog over old arguments about

testing, and encourage and invest in more innovation so that students of today will be prepared for the jobs of tomorrow here at home. We began this work with our Innovation Agenda, which launched a new commitment to encouraging students, and ensuring highly qualified teachers in the fields of math, science and engineering.

We are making college affordable for all students to ensure that we have a new generation of innovators. We began this work by enacting the largest expansion of student aid since the GI Bill in 1944. We cut student loan rates in half and boosted Pell Grants. This year we will continue to work through the reauthorization of the Higher Education Act, which will continue to address the rising costs of college and reshape our higher education system.

For health care we will chart a new direction where every American has access to quality, affordable health care to create a healthier America. In the course of some of the conversations I've

had as speaker, with the visitors who come to my office -- some from the administration asking for more funds for their agencies, some from the business community emphasizing the importance of health care as a competitiveness issue, from the grass roots community which reaches out to provide health care to the community, for people representing families, and the rest -- talking about this, I always ask them the same thing: When we talk about universal health care, and access to it, just what are we talking about? And let's think in a newer, bigger way about what that vision can be.

And across the board, it's almost consistent, everyone seems to share the same view: A healthier America must begin with major investments in basic biomedical research, while ensuring universal access to those discoveries. For example, this year we will spend \$5.5 billion on total cancer research -- the cost of two weeks in Iraq. Every year cancer kills nearly 560,000 Americans, 1500 per day. Imagine for progress for our families, for our economy, for our future if we doubled the investment in cancer research to four weeks in Iraq?

A healthier America means a common electronic medical record for every American from birth to reduce mistakes, to lower costs and to improve health care. A healthier America means personalized care. Every American should get customized care to their needs, not a one-size-fits-all. In doing this we must remove the disparities in our health care system.

A healthier America means mental health parity. This is especially important for our veterans returning from Afghanistan and Iraq. A healthier America must contain a strong component of prevention -- prevention, nutrition, exercise, lifestyle. I always there are millions of health care providers in America, they're called mom and dad. All of this can begin right at home for a healthier America and we have to have the participation of all Americans in achieving a healthier America.

None of the success we want to have in health care, though, is possible without trained, highly-skilled personnel. By making the investments in nurses, doctors, and other health care providers, we can have a healthier America, and, by creating jobs here at home, a

healthier American economy.

The next area where we want to create jobs is in our infrastructure. For our nation we will chart a new direction where we renew America's infrastructure, and rebuild it in a way that is greener and helps confront the climate crisis. Two hundred years ago, in 1808, Thomas Jefferson charged Treasury Secretary Albert Gallatin with drafting a plan to develop America's infrastructure. Work like the Erie Canal and the Cumberland Road, to take advantage of a nation that was growing because of the Louisiana Purchase and the Lewis and Clark Expedition.

A century later, in 1808 (sic), the same year the National Press Club was founded, Theodore Roosevelt launched a similar commitment

when he convened a White House conference on conservation to stress the importance of preserving America's natural beauty. That led to the creation of the National Park Service and helped a growing America remain a green America.

In 2008, in keeping with the traditions of these great American leaders, we must keep America growing while making America greener. That means reinvesting in our crumbling highways and bridges, and renewing our commitment to mass transit solutions which will create jobs for the middle class here at home. It also means expanding broad-band access across America, particularly to rural communities. Again, in our infrastructure challenge there is job-creating opportunity to reinvigorate the American economy.

Global warming is the issue upon which this generation of leaders will be judged by posterity. Only this generation can make the changes needed in time to avert a crisis that our children and our grandchildren will otherwise have to face. We must build on last year's landmark energy legislation that increased energy saving standards for lighting and appliances, among other things, and historically boosted fuel efficiency standards for cars and trucks. And this was for the first time in 32 years. We will take the next step by creating a cap-and-trade to help protect our environment.

In our clean energy revolution we have the opportunity to train Americans for green jobs here at home to reinvigorate our economy. These commitments, taken together, represent more than just a democratic decision in favor of the future, Americans embrace this vision as their own. Our nation has the resources -- both the human resources and the financial resources to meet these challenges, and strengthen and expand the middle class. We only require the will to make the decision to make this vision a reality.

As leader Reid will discuss, we need to restore America's leadership in the world, and we truly need a new direction in Iraq. For a cost of one day in Iraq, around \$330 million, we could fund nearly 1,000 NIH research grants to find cures and treatments for the most deadly and debilitating diseases. For the cost of about one week in Iraq, we could provide 400,000 young Americans a scholarship for a full year at a public university.

For the cost of just over one month in Iraq we could provide

healthcare for 10 million children in America for an entire year. It is not a matter of resources. It is a matter of making the right choice for America.

Leader Reid and I both salute our brave men and women in uniform. They have performed their duties excellently and with great courage, and when they come home they will find improved healthcare thanks to the largest investment in veterans' healthcare in the 77-year history of the Veterans Administration. I'm very proud of that. Yet we owe our veterans much more. We owe them our best efforts to build a future worthy of their enormous sacrifice. Thank you. (Applause.)

MS. LEINWAND: And now we'll -- excuse me, and now we'll hear from Senator Reid.

SEN. REID: Members of the National Press Club, guests, and those who are watching this in other ways, I first of all want to express my appreciation publicly for the partnership I have with the speaker. I've been in government some time and I have found no one that's easier to work with, more knowledgeable of government, than Nancy Pelosi. The state of California -- our country is well-served by this good woman. (Applause.)

Growing up in Searchlight, Nevada, my mother placed on our wall a pillowcase. It was royal blue with gold fringe with the words, "We can. We will. We must." The name below those words were Franklin Delano Roosevelt. For children of my generation from working class families like mine this was not uncommon. FDR was a figure of moral strength to us for what he accomplished at home and throughout the world. What I didn't know, though, at the time was that this reverence for President Roosevelt extended far beyond our little Searchlight home -- beyond my state, Nevada -- beyond even the shores of my country. Upon President Roosevelt's death, Mrs. Roosevelt received a letter from Irma Morrowitz (ph), a Jewish woman driven by Hitler's terror from her home in Europe to refuge in Mexico City. She wrote to the first lady, "The spirit of Roosevelt's personality will bring enlightenment to all those who carry the heaviest burden, and it will bring a consolation -- an example of suffering -- to men and women all over the world." A boy from Searchlight, a European refugee in Mexico City, and millions of others throughout the world were bound together by fate -- (inaudible) -- the crosscurrents of a dangerous world America's moral compass always points due north.

So as we await President Bush's final State of the Union address Monday night, we know one thing for sure -- that cherished faith in America has greatly been diminished and with it our ability to respond to the critical challenges that threaten our security. A hundred and fifty-eight thousand young Americans arise each morning in the deserts of Iraq to face another day of risk they cannot predict, and hatred they did not create. Osama bin Laden remains free, and the al Qaeda network grows stronger. Afghanistan, once hailed as a great success, continues to backslide into violence, extremism, and a rampant drug trade. The path toward democracy in Pakistan waivers with billions of American anti-terrorism dollars unaccounted. And the moral authority of our great nation has suffered grave damage.

Our first goal as a country must be to restore that moral

authority with what the bipartisan Center for Strategic International Studies calls America's smart power. The most effective way to fight terrorism is to harness all of our power -- military, economic, and moral. When we do, the world will follow our lead once again but it may take years. When President Bush delivers his State of the Union address Monday night, he can take the first steps. He can start by announcing America does not torture. Democrats (call him to support ?) one standard of interrogation for the entire United States government, to renounce waterboarding, and to finally commit to closing Guantanamo.

President Bush could also show true leadership Monday night by announcing plans to expand our Foreign Service, our Peace Corps, and our funding for international development. Our team of Foreign Service officers serving throughout the entire world stands at just 7,000, or about the size of the crew of just one United States aircraft carrier. In 2002, President Bush pledged to double the size of the Peace Corps. Today, the Peace Corps stands at just 8,000 strong, barely larger than in 2002. The president's promise of 15,000 remains unfulfilled.

Why does this matter? These Foreign Service officers and Peace Corps volunteers are the patriots who spread hope across the globe which makes America stronger. Just one example -- on a recent trip to Central America I met with former members of American gangs who had been deported back to Guatemala. When they returned there they were reformed with the help of an American-sponsored rehabilitation program. They told me of the countless lives, both American and Guatemalan, that this program has changed and saved. How much does it cost to start one gang prevention center like we saw? Just \$16,000.

Why should Americans care about these Guatemalan gangs? Well, for one reason, they're the networks of the very same gangs that we have here in our country. Gang violence in Latin America leads to gang violence here in America. The average cost of incarcerating a prisoner in an American jail is about \$35,000 a year. If that program in Guatemala kept just one person out of an American prison it would save us twice what it costs, but only in one year. For a modest price, programs like this one saves lives, builds long-term global allies, and makes America safer.

That's why we were troubled to discover that funding for this gang prevention program in Guatemala ended in December. We shouldn't let programs like these shut down. We should be expanding them into parts of the world where poverty and oppression form the breeding grounds of terror. Every place I traveled -- in Mexico, Central America, South America last year -- I met with people and their leaders thirsty for America to stand with them once again. Cuba and Venezuela are sending teachers, doctors, and subsidized oil to these countries. America is sending almost nothing. Can there be any question why our influence has waned?

It's also long past time for America to lead, not follow, on energy security and global warming. We call on President Bush to announce in his speech Monday night that America, always the land of innovation, will invest more to harvest renewable energy sources here at home and fight carbon emissions. If we show the world that we're

giving this crisis the attention and the investment it deserves, others will do the same, and the sooner we begin investing in renewable fuels the sooner we can end our reliance on unstable regions and unfriendly governments for their oil. The next time the leader of an oil nation calls us a menace, as one did before the United Nations 2006, we should be able to tell him to keep his oil. The day we become energy independent is the day we can do that.

Now, I'd be remiss if I didn't briefly mention the debate over the Foreign Intelligence Service Act -- FISA. Democrats have and always will give our intelligence professionals the tools they need to keep us safe without compromising the privacy of law-abiding Americans. With the temporary law about to expire, Republicans must start working with us on a reasonable solution. That means passing a short-term extension of the current law so that no intelligent (sic) activities are interrupted while we work out a better long-term solution.

So these steps -- diplomacy, development, and moral leadership -- will restore America's smart power. This is crucial but by no means sufficient. The next step is to strengthen our armed forces to better address the challenges that can't be won without the threat or use of force. There is no doubt that our military is the strongest in the world.

Our troops conduct every mission with courage and with skill, but foreign policy failures have caused a crisis in military readiness and that has left us less secure.

General Colin Powell put it best last year when he said, and I quote, "The active Army is about broke." End of quote. When President Bush took office in 2001, every Army division was ready to fight. Today, not a single, non-deployed active-duty or reserve brigade is considered fully combat ready. That leaves us with practically no strategic reserve for the next unexpected crisis. The strain of combat is wearing out at least \$1 billion a month worth of weapons, vehicles and other equipment; and our courageous National Guard is forced to do their jobs here at home with less than 50 percent of the equipment they need, because it's been sent to Iraq.

The strain on our troops is one of the least noticed, yet most troubling aspects of this war. Recent studies show that about 40 percent of Guard and Reserves return home from Iraq in need of mental health treatment. One out of six Iraq and Afghan veterans show symptoms of posttraumatic stress disorder. These numbers are staggering. We have a moral obligation and a national security imperative to take better care of those who serve us. That starts with reversing the drain of troops in Iraq, but it doesn't end there.

Last year, Democrats proposed a simple plan: that every serviceman and woman must receive a period of rest and training equal to their time abroad -- 12 months deployed, 12 months at home. Republicans blocked our plan, but we're going to give them another chance this year to do the right thing.

Last year, Democrats passed the largest ever increase, as the speaker mentioned, increase in veterans health care funding -- the

largest ever. We've already made right the terrible living conditions for outpatients at Walter Reed, and we're funding research and treatment for posttraumatic stress disorder, and other serious conditions, to make sure our troops are not left to suffer alone. But we must do more: We'll work this year to deliver our troops a new GI Bill that provides 21st century education benefits in gratitude for their service. We look to the president and congressional Republicans to join us, not block us.

When we restore our moral authority and rebuild our military, we can more effectively address the global threats that have been overlooked for far too long. When the president delivers his State of the Union three days from now, we already know what he'll say about Iraq. He'll tell us the war's turned a corner and victory is in sight. We first heard those words from the flight deck of an aircraft carrier in front a banner that said, "Mission Accomplished", five years ago. We've heard them at every subsequent State of the Union speech -- the same words. But five years and nearly 4,000 deaths, 35,000 wounded Americans and half-a-trillion dollars later, the mission is still not accomplished.

All Americans cheer at the reduced violence we're now seeing in parts of Iraq. But President Bush said clearly, the purpose of the troop surge was to give the Iraqi government space for political progress. General Petraeus himself has said that Iraq's problems can only be solved politically, not militarily. But the Iraqi government has done very little with the window we've provided them. Now, some Republicans are talking about staying in Iraq for 50 or even 100 years. And President Bush wants to cut a deal that will guarantee our presence well past his term.

The president is put on notice. He cannot do this unilaterally. Any long-term deal must meet the approval of Congress, and the majority of Congress wants to responsibility end the war so that we can turn to other critical challenges like Afghanistan. Before the rubble of 9/11 was cleared, we joined forces with our global allies to drive al Qaeda out of Afghanistan and restore freedom to its people. Democrats and Republicans stood together to support that war and for some time it seemed to be a success.

But the president and his Republican allies squandered that opportunity to bring the entire world together to wage a global war on terror. Now, with a diminished focus and inadequate resources in Afghanistan, progress is threatened by exploding violence. The drug trade is running rampant. And today -- 2,327 days since 9/11 -- the world's number one terrorist, Osama bin Laden, remains free. Our government's 16 intelligence agencies speak with one voice when they say that al Qaeda is growing -- the threat is growing.

Democrats say it's long past time to finally answer that threat. We call on President Bush to immediately double the number of intelligence and Special Operation teams engaged in the hunt for bin Laden and al Qaeda. With focus and discipline, this is a fight that we can win.

We also hope to hear of a new approach to Pakistan on Monday.

This week, several senators and I met with leading Pakistani reformers. They agreed with our view that a return to democracy is crucial to the fight against extremism. This must include restoring an independent judiciary, allowing international observers for the February 18th elections, and initiating an independent investigation into the Bhutto assassination.

In Pakistan, and throughout the world, we should invest in the people and their struggle for freedom, not invest in solely one man or one leader. If the leader of a nation derails the path forward to democracy, we must make it clear to that leader that our diplomatic and financial backing are on the line.

We also hope to hear on Monday that President Bush will take a new approach to Iran. He should commit to following the lead of President Reagan during the Cold War -- that though diplomacy may not guarantee progress, silence guarantees acrimony. We must not be afraid to communicate with unfriendly countries. This is not a sign of weakness. It's a sign of strength. President Bush should be sending Secretary Rice and Secretary Gates to meet with their Iranian counterparts. The first topic of conversation should be preventing incidents like the speedboat encounter just a few weeks ago.

Now, we're not naive enough to think that talks will solve every problem. Iran's regime is profoundly -- it's a profoundly serious challenge. It's a supporter of terrorism, pursuer of nuclear technology and meddler in Iraq and the Middle East. But we firmly believe that America's security interests are best served by pursuing diplomacy first.

Finally, the president -- finally he has become engaged the Middle East peace situation. Peace talks on the Middle East -- finally. With tremendous violence and tension only escalating in that region, we support these efforts. And we hope they mark a fundamental new approach to addressing the global challenges that I have mentioned. Democrats believe that the age of "shoot first and talk never" foreign policy cannot end soon enough. We believe that although some of our conflicts will be resolved on the battlefield, and we will always win those, most will be won in the hearts and minds of people.

More than three years ago, the day the 9/11 commission report was released, Commission Chairman Tom Kean and Vice Chairman Lee Hamilton met with congressional leaders. I asked them: Who are these terrorists? What can we do about them? They responded: There are just a few thousand who are intent on doing us harm, but they can't be rehabilitated or deterred. They must be killed or captured. But they're not our main concern. We must be concerned as well with the millions who sympathize with them.

It was clear to me then that we must convince those millions of the goodness of America. If we fail, this war on terror will become a multigenerational struggle left to our children and grandchildren to wage. But if we succeed, we can banish terrorism to the darkest caves and crevices on earth. That success won't happen overnight, but it won't happen at all without the moral leadership of the president of

the United States.

So perhaps on Monday President Bush will show that leadership. Perhaps he will take some of the steps I've discussed. If so, we extend our hand to him and all Republicans.

But no matter what direction the president takes this year, Democrats will keep fighting for change so that children in Searchlight, in Mexico City, in the Middle East and all points between will once again see America as a great hope of the world. Thank you very much. (Applause.)

MS. LEINWAND: (Inaudible) -- to questions. We have a lot of questions so I'll try and get through as many as I can. We'll start with the domestic agenda and particularly the tax cuts and the stimulus plan. Can you explain how tax cuts are a good stimulus for the economy now when you opposed tax cuts that President Bush proposed in 2001?

REP. PELOSI: It's not a question -- Democrats support tax cuts for the middle class and those who aspire to it. The question is the -- where does the stimulation come from. And what happened in this package that we put forth yesterday was a drastic shift from tax cuts for the wealthiest people in our country to tax cuts for the middle class and tax cuts for the working Americans. This is a very big difference in terms of having the resources to inject into the economy to create jobs, to put people to work. Again, the cycle continues.

So any day of the week Democrats stand proudly in support of tax cuts for the middle class. It's part of our agenda. Our disagreement with the president was that he was making tax cuts for the high end, and by the way, he was adding enormously to the deficit. Don't take my word for it. That was the word of the Congressional Budget Office under the control of the Republicans at that time.

MS. LEINWAND: In the stimulus package you gave up on the food stamp issue. Why didn't you press for that and where do you think the second stimulus plan will go?

REP. PELOSI: Well, I don't know about any second stimulus plan but I will say this. First of all, food stamps is something that we had championed for a long time, most recently in the farm bill, and we look forward to the farm bill coming to reconciliation and coming to the floor because we had a huge increase and permanent -- putting it into the permanent section of the farm bills on food stamps.

But if you want to talk about food stamps in this package what was being bandied about was a 10 percent increase in food stamps. Do you know what that translates for a person on food stamps? Ten cents a day. Ten cents a day. I thought it was far more important to put a check for \$1,000 in the hands of the mom of that family than to talk about -- (inaudible). We still will get food stamps. It's not a question of either/or. It's a question of in this package a decision was made to take the cuts from the high end to the middle class and then taking it to the middle class and to the working poor so that much more could be put into -- many more dollars could be put in the

hands of the working poor.

Food stamps -- again, it's a very important part of how people make ends meet. We have it in the farm bill and if that's not enough or the farm bill doesn't come to fruition we'll have a permanent increase in food stamps in another legislative vehicle. But this -- just think about it. Think in a new and bigger way about what tax cuts -- refundable rebates to working poor people and refundable rebates to -- for child credits with a focus, again, on the middle class but including those who are fighting -- struggling to get into the middle class. It's a remarkable -- it's remarkable. It isn't the end. We have much more to do in terms of unemployment insurance, again, food stamps -- (inaudible) -- infrastructure and the rest. But this will make a big difference.

MS. LEINWAND: Speaker Pelosi, you addressed the National Press Club on November 5th -- you'll get yours. (Laughter.)

MR. : (Off mike.)

MS. LEINWAND: (Laughter.) Speaker Pelosi, you addressed the National Press Club on November -- in November 2005 with a competitiveness agenda. It didn't go anywhere.

REP. PELOSI: That's not true.

MS. LEINWAND: Okay. Well, what happened to it and what types -- what steps are you going to take to save the economy over the long term?

REP. PELOSI: Respecting the friendship in that question, may I respond this way? The competitiveness agenda -- the innovation agenda -- is something that we put together in a bipartisan way working with workers, with -- and leaders in industry, with the academic community, with policy makers, legislators, and something that passed the Congress in July and was signed into law by the president. It is very much a part of our new direction. What it calls for we have implemented in other pieces of legislation -- many more scientists, mathematicians, and those trained in technology to be trained as teachers to educate our children but also placing a premium for children to follow those disciplines. It talks about issues like healthcare being a competitiveness issue and so we must do something about healthcare.

But the components of it are innovation. Innovation begins in the classroom. It's about technology -- expanding broadband across America. An important part of an innovation agenda also is the issue of energy and a part of the innovation agenda was passing the energy bill. So this is law. It's reflected in our appropriations legislation. It's reflected in our education legislation. It's in the works. Of course, with a Democratic president we can do much more and I look forward to that.

But we're not waiting for that. We are pushing very hard. It passed overwhelmingly -- overwhelmingly in the Congress and as I say was signed by the president. So have hope because, again, the

innovation agenda is the answer. One of the reasons we passed it is because, again, you have to leapfrog over the debate about trade -- is it good for our -- (inaudible). Of course, we're in a global economy. We can't turn back from that. But we have to be fair to our workers, and instead of agonizing over some pieces of this let's innovate, compete, and prevail in the marketplace.

MS. LEINWAND: Okay. Our last economic stimulus question is clearly very important to many people in this audience because I got about seven of them. When can we expect our first rebate check? (Laughter.)

REP. PELOSI: Judging by the attire and what I see in this room you may never be getting one -- (laughter) -- and God bless you for your success. Well, we passed our -- we haven't passed our bill. We've introduced our bill. We'll bring it to the floor within the next 10 days and then it will go on to the Senate, and as soon as the president signs the bill I have every assurance from the secretary of the treasury that the IRS can handle this. The bill was written in a way that would expedite the checks going out to the American people. Looking beyond this room, 110 -- no, 117 million American families will be receiving a recovery rebate, and as soon as the bill is the law that process will begin.

MS. LEINWAND: Okay. Senator Reid, it's your turn. What -- in what areas do you expect bipartisan cooperation to continue in this election year?

SEN. REID: To continue?

MS. LEINWAND: Well -- (laughter).

SEN. REID: The speaker and I have had -- during the past couple weeks had many conversations telephonically because we weren't in session the week that they started but personally this past several days, and it was agreed that we should do everything we can because the fragility of the economy -- to move forward on a bipartisan plan to help stimulate the economy and that's -- because of our rules being so much different than the House I signed off on the fact that Boehner and Pelosi and Paulson try to work something out and they did. And we're going -- that now will be coming to the Senate in the next 10 days or so and we're going to do what we can to -- the main -- I think the rebate portion of this is really quite good, and we'll see what we do with all of our Senate rules -- what changes are going to be made in this.

But I've had a number of conversations with Senator McConnell and I hope we can continue this bipartisan spirit on this piece of legislation. The last month or so of the first year of this congressional session we did do a lot of things on a bipartisan basis, and I think for a number of reasons. The most important reason is that Republicans have come to the realization in the Senate that they have a lot of seats that are in jeopardy, and I think they have to show some bipartisanship or they're in big trouble. We're going to continue, try to work with them on everything that we can. There are a lot of things we need to do, and we'll see the next few months if they're going to be taking their orders from their constituents or

from the White House.

MS. LEINWAND: What are the sticking points on the FISA bill? What do you expect to happen on Monday's vote? And how will you respond if the Republicans block it?

SEN. REID: Yesterday, I explained on the Senate floor that this was really a catch-22. As you'll remember, that book, by Heller, talked about an experience he had in World War II. He was a pilot. He flew a bomber and he felt he was emotionally unstable, and he was worried. He thought he was crazy.

But he went to his superiors, said, I'm crazy. And they said, look, you have to be crazy to fly one of these bombers in the first place; your next mission's tomorrow. That was the catch-22 and that's kind of where we are. (Laughter.)

We have a situation where the Intelligence Committee reported a bill out of the committee. There's concurrent referral, so the Judiciary Committee also reported out a bill. Senators Rockefeller and Leahy, working with Senator Specter, worked out some agreements to take some of the things from the Judiciary bill and put them in the Intelligence bill.

Everyone thinks -- the majority of the people feel that's a good idea. Republicans won't give us a vote on that. They think the bill that came out of the Intelligence Committee is the only thing that they're going to agree to.

So we're in a quandary here. The bill expires on the 1st of February. That's why I said, in my prepared remarks, the president has to make a decision. He's either going to extend the law, which is temporary in nature, or there will be no wiretapping.

We have worked very hard to try to come up with a way to proceed on this, but it's up to the president. The amendments that were offered in the Senate were -- they would have passed. They were -- the majority of the Senate favored these amendments.

They refused to allow us to vote on what we call Title I, which is the procedural aspects of this. And then, they never dreamed of our going to the second part, which is the retroactive immunity, which is -- there's real controversy over that. And there should be a vote in the United States Senate, as to whether or not there should be retroactive immunity. They won't give us one.

So again it's up to the president. He can either continue the present law for an extended period of time. We would agree to two weeks; we would agree to a month. And we would agree to a longer period of time than that.

But it is up to the president. Does he want the law? It's up to him. If it fails, he can give all the speeches he wants, including the State of the Union, about how we've stopped things. If he does that, it's disingenuous and it's not true.

MS. LEINWAND: Okay, this is for both of you.

What are the prospect for comprehensive immigration reform in 2008?

SEN. REID: I think comprehensive immigration reform in 2008 is going to be very hard to come by.

I may not be an expert on many things but I'm an expert on legislating immigration. We spent, last year, many, many weeks in the Senate trying to legislate with immigration. And the last go-round, the president said he would help us. And I have said publicly, I appreciate that.

But his help didn't gain much. We have 12 -- we had 12 Republicans who supported us on comprehensive immigration reform, that's all.

We have -- we have found that they refuse to allow us to do things that would -- good, that would control our northern, southern borders; have a temporary guest worker program; would allow a pathway to legalization, no amnesty for these 12 million people; they would not go to the front of the line, the back of line, they'd have to pay penalties and fines, learn to speak English, stay out of trouble, pay taxes. They wouldn't let us do that.

So now, we have -- every time we offer a piece of legislation, they want to build a higher, longer wall, punitive things that I think are really shortsighted. So I don't think we'll get anything done this year. We have a presidential election. We have a number of very important House and Senate races, and our time is really squeezed. So I think we're going to have to look forward to some new leadership. We need a president who is willing to step forward and get more than 12 of his party to support this legislation.

Nancy, do you want to say anything?

REP. PELOSI: Thank you, Harry.

Harry's absolutely right. If we are going to have comprehensive immigration reform, it has to come from the leadership -- with the leadership of the president of the United States. This is an area we thought we could work closely with the president on because he had -- his heart and head were in the right place. He understood the issue, being a former governor of Texas. We all agreed that we had to secure our borders, enforce our laws, protect our workers. We talked about a path to legalization where we can bring people out of the shadows and into the full economic -- full economic contribution to our society and our economy, and to do so in a way that unified families. Those were the principles that we were operating under.

And then, perhaps because things had come so easy to the president with the Republicans in the Senate before, the minute there was a problem, the White House was not up to the task of bringing the leadership necessary to make this happen. So if it isn't going to happen in the Senate, it's not going to happen.

But it doesn't mean that it doesn't need to happen. And we have to continue to work together because there are too many aspects of our

economy -- if we're just talking pragmatically -- that depend on a comprehensive immigration reform. And expanding that beyond H-1B visas, H-2B visas, guest worker programs, AgJOBS, the list goes on. But this has to be done comprehensively -- again, securing our borders, enforcing our laws, protecting our workers, and again, respecting what so many people do bring to our economy.

I just want to say, because I believe our time is coming to an end, the question on bipartisanship. It has been in the interest of some to beat this drum that we didn't do anything working together. But right from the start last year, for our Six for '06, on every initiative we put forth, we were looking for common ground. We weren't looking for a fight.

So that -- raising the minimum wage, strong bipartisan support. Cutting in half the interest rates on student loans, strong bipartisan support. Our first bill, H.R. 1, enacting the 9/11 commission recommendations, strong bipartisan support. Passing stem cell research legislation -- wasn't signed by the president, but strong bipartisan support. In the SCHIP, the Children's Health Program, veto-proof bipartisanship in the United States Senate -- not quite that, but strong bipartisan support. The Innovation Agenda.

The list goes on and on where we had strong bipartisan cooperation and support and the bills were signed by the president. These are all eclipsed by the Iraq war because the president has his head in the sand on this war that he -- it's, for him, a war without end, no end in sight, no light at the end of the tunnel, any analogy or cliché that you want to use.

And because we could not come to terms on that, it eclipsed what we were able to accomplish in a bipartisan way.

The reason we were able to achieve the stimulus package was for really the first time that we had something that the president wanted. But he hasn't really had an agenda that we could bargain over. He needed the stimulus package. He finally admitted it the end of last week.

Any homemaker in America could have told him it months ago -- that our country was heading for a downturn and we needed a change in economic policy. But it finally dawned on the president the end of last week. We quickly went into motion because we have known also for a long time that this needed to be done. But in order to have bipartisanship, you have to share common values or you have to be in a position where you can negotiate. I think we've -- hopefully this stimulus will serve as a model on how we can go forward in this year, and hopefully immigration can be one of those issues.

But I associate myself with the comments of Senator Reid and what he said, because the reality is in the United States Senate. And in closing may I just say what a privilege it is to serve with Senator Reid in his capacity as majority leader and mine as speaker, to work together on behalf of the American people. It's an honor to be with you here today, Senator Reid.

And thank you to the National Press Club for making that possible. (Applause.)

MODERATOR: We've now come to the economic stimulus portion of our afternoon, and that is the gift giving. But -- we'll have one more question, but first, we have the National Press Club mugs.

REP. PELOSI: (Off mike) -- very much.

MS. LEINWAND: Oh, there's more! The National Press Club DVD documentary of our hundred years, and medallions.

REP. PELOSI: Wonderful.

MS. LEINWAND: And now we have our last question.

Oh, actually, first let me remind our members of our future speakers. February 8th we have Admiral Thad Allen, the commander of the U.S. Coast Guard. On Valentine's Day, February 14th, we have Ted Danson, the actor. And on --

MR. : (Off mike.)

MS. LEINWAND: Ooh! (Laughs.) I heard that.

On February 29th we have Andrew von Eschenbach, the commissioner of the U.S. Food and Drug Administration.

And, let's see, here is our last question. It seems that some people in our audience think that the senator and the speaker ought to referee the primary election. What can you do, or what should the Democratic Party do to keep Senator Obama and Senator Clinton from beating each other up? (Laughter.)

SEN. REID: I'm going to stay out of it. (Laughter.)

REP. PELOSI: And he's a boxer. (Laughs.) Let the democratic process continue. Whoever the nominee is, we will all rally behind, lift up, be very proud of and go on with to victory in November. So I'm very proud of each and every one of our candidates, Senator Edwards as well, and look forward to supporting one of them very soon.

Thank you. (Applause.)

MS. LEINWAND: I'd like to thank you all for coming today.

I'd also like to thank National Press Club staff members Melinda Cooke, Pat Nelson, Jo Anne Booze and Howard Rothman for organizing today's lunch. Also thanks to the NPC Library for its research.

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Thank you. We are adjourned. (Applause.)

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