

NATIONAL PRESS CLUB LUNCHEON WITH SENATOR MITCH McCONNELL

SUBJECT: SENATOR MITCH McCONNELL, SENATE GOP LEADER, WILL ADDRESS A LUNCHEON

MODERATOR: DONNA LEINWAND, PRESIDENT, NATIONAL PRESS CLUB

LOCATION: NATIONAL PRESS CLUB BALLROOM, WASHINGTON, D.C.

TIME: 1:00 P.M. EDT

DATE: FRIDAY, JANUARY 23, 2009

(C) COPYRIGHT 2009, NATIONAL PRESS CLUB, 529 14TH STREET, WASHINGTON, DC - 20045, USA. ALL RIGHTS RESERVED. ANY REPRODUCTION, REDISTRIBUTION OR RETRANSMISSION IS EXPRESSLY PROHIBITED.

UNAUTHORIZED REPRODUCTION, REDISTRIBUTION OR RETRANSMISSION CONSTITUTES A MISAPPROPRIATION UNDER APPLICABLE UNFAIR COMPETITION LAW, AND THE NATIONAL PRESS CLUB. RESERVES THE RIGHT TO PURSUE ALL REMEDIES AVAILABLE TO IT IN RESPECT TO SUCH MISAPPROPRIATION.

FOR INFORMATION ON BECOMING A MEMBER OF THE NATIONAL PRESS CLUB, PLEASE CALL 202-662-7505.

DONNA LEINWAND: (Sounds gavel.) Good afternoon. My name is Donna Leinwand. I'm a reporter with *USA Today* and president of the National Press Club.

We are the world's leading professional organization for journalists. And on behalf of our 3,500 members worldwide, I'd like to welcome our speaker and our guests in the audience today. 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 will have time for as many of these questions as possible. I'd like to explain that if you hear applause, it may be from guests and members of the general public, and not necessarily from the working press. I'd also like to welcome those of you who are watching on C-Span.

Last year, we celebrated our 100th anniversary and have rededicated ourselves to commitment to the future of journalism through informative programming, journalism education, and fostering a free press worldwide. For more information about the National Press Club, please visit our website at www.press.org.

I'd now like to introduce our head table guests and ask them to stand briefly when their names are called. From you're right, Manu Raju, reporter for Politico, and an NPC member; Patrick Yoest, congressional reporter, Dow Jones Newswires, and an NPC member; Laura Litvan, chief congressional correspondent, Bloomberg News, and an NPC member; Kate Hunter, Senate leadership reporter, *Congressional Quarterly*, and an NPC member; Dr. Robert Manuel, dean of the School of Continuing Studies at Georgetown University and an NPC member who is directing Georgetown's upcoming transition 2009 conference at the Club on February 12th and 13th; the Honorable Elaine Chao, former Secretary of Labor and wife of the speaker.

And skipping over the podium for a minute, Angela Greiling-Keane of Bloomberg News, head of the NPC Speakers Committee; I'll be skipping over our speaker; John Donnelly, a senior writer at *Congressional Quarterly*, and vice chairman of the NPC board of governors. And he's also the NPC member who organized today's luncheon. Thank you very much, John.

Sabine Muscat, political correspondent, *Financial Times Deutschland* and an NPC member; Jessica Brady, staff writer, *Roll Call* newspaper and a member of the NPC board; Betsy Fischer, executive producer, NBC's *Meet The Press* and an NPC member; and finally, David Broder, *Washington Post* columnist and NPC member. Thank you. (Applause.)

With the presidency shifting to Democratic control this week, Senator Republican leader, Mitch McConnell of Kentucky, today's speaker, becomes the most powerful GOP politician in Washington. As a result of November's election, Democrats not only won The White House, they also solidified their control of both the House and the Senate.

However, even though the Republican Party's share of the Senate seats has dwindled, there are still enough Republicans there to thwart the Democrats on many issues. So while Senator McConnell faces a challenge in making the minority's views heard, he still retains considerable clout.

Senator McConnell has earned a reputation as a skilled negotiator and legislative tactician. He uses charm and diplomacy when he can. He also plays hardball when he must. Under McConnell's leadership, Republicans used the parliamentary blocking gambit, known as the filibuster, a record number of times last year in Congress. He will need all his political skills to navigate the challenges ahead.

The first test of his leadership comes on the economic stimulus package that is expected to cost more than \$800 billion dollars. Senator McConnell is concerned about that price tag, wants to include more tax breaks, and prefers to

give states loans instead of grants. While the stimulus package is job number one, it is not the only task ahead. Congress will have to oversee the wars in Iraq and Afghanistan, and a continuing terrorist threat.

Healthcare reform will be a major issue, as will global warming and a mammoth budget deficit that will not only deepen as a result of the efforts to revive the economy-- Senator McConnell brings to these challenges years of service in government and politics and he knows what it means to fight adversity. Born in Alabama, he contracted polio at the age of two. He underwent physical therapy. But to prevent damage to his left leg, his mother had to ensure that he didn't walk for two years until he was four years-old.

His family moved to Kentucky when he was 13, and he later got his undergraduate and law degrees there. Before running for the Senate, he was a Senate aide, a Justice Department official, and a county executive. He won election to the Senate in 1984 by defeating incumbent Democrat Walter Huddleston. Huddleston had drawn criticism from McConnell and others for collecting fees for speeches while the Senate was in session.

McConnell ran TV ads showing bloodhounds sniffing around Washington in search of Huddleston. They worked, but McConnell's margin of victory in that first Senate race was a mere four-tenths of a percentage point. His subsequent reelections would come more easily. Last November, he netted 53% of the vote, even in a tough year for Republicans. No Senator has ever represented Kentucky longer in the Senate. "I think what I've learned over the years is that most setbacks are not terminal," he said recently. "You wake up the next day and you live to fight another battle."

This afternoon, we look forward to hearing about the battles that Kentucky's senior senator expects to fight in the weeks and months ahead. So please join me in extending a warm National Press Club welcome to Senate Republican leader, Mitch McConnell. (Applause.)

SENATOR MITCH McCONNELL: Well, thank you very much, Donna. It's wonderful to be here. I'm also pleased to be accompanied by my roommate who, as some of you may know, was the only member of President Bush's original Cabinet to serve the full eight years. And I doubt if many of you know, it's not been routine for Kentucky to have Cabinet members. In fact, you'd have to go back to the Truman Administration to find the last time there was a Kentuckian in the Cabinet. So we're particularly proud of Elaine in the Commonwealth of Kentucky, and hope it won't be another 50 years before another Kentuckian is in the Cabinet.

Donna, thank you very much for the introduction. You mentioned the bloodhound commercials. You know, my original ambition in the Senate was to someday be known for something other than the bloodhound commercials. In my early days here, when most of you who are old enough to remember those days were covering me, I was just hoping anybody outside the Senate would ask me a question. But I would find that as I was traveling around the country, total strangers would come up to me. I was a first term senator. Nobody had a clue who I was, would come up to me and say, “Are you Senator McConnell?”

And I’d-- “My goodness. Yeah, I am. But how do you know?” He said, “Well, we saw your commercials in our political science class.” So anyway. In my never-ending quest to be known for something other than the bloodhound commercials, thank you so much for bringing that up.

I really appreciate the opportunity to be here. For more than a Century, I don’t have to tell you, the National Press Club has served a vital national purpose as a forum for newsmakers and those who cover them. A free press is essential to our democracy. So today, I thought I’d come over here and get some free press.

This past Tuesday, millions of Americans who were old enough to remember past Inaugurations were reminded of one of the great hallmarks of our Republic. And millions of young people experienced for the very first time the rejuvenating effect of the peaceful transfer of power we’ve enjoyed in this country regularly every four years since 1792 when Washington took his second oath of office.

Of all of our civic rituals, few elicit the same feelings of national pride at home or really more admiration abroad as well. But the Inauguration of President Obama was somehow different, and not only because we were obviously moved at seeing an African-American take the oath of office from the steps of a building built by slaves, this year’s Inauguration was different because this year’s election was different.

For the first time in awhile, America has a President who isn’t viewed by most people as an overly polarizing figure. Americans are intrigued by President Obama’s promise of post-partisanship. And this afternoon, I’d like to share some of my thoughts on the possibility of a new era of cooperation.

As others have noted, the President does not govern alone. You can’t sign a bill Congress hasn’t passed. You can’t spend money Congress hasn’t appropriated. If President Obama’s promise of post-partisanship is to be realized, he’ll first need some cooperation from Congress.

And so in the spirit of overcoming divisions, let me start out by saying that I agree with President Obama's assertion on Tuesday that many of today's problems are simply too great for us to pass over in the interest of protecting narrow interests. The normal constituencies must be widened. On issue after issue, members of both parties have too often fallen into the habit of asking narrow special interest groups what they think should be done about something before we think about what the average American believes should be done.

This is how a group like Code Pink could end up having so much influence in a national debate about the conduct of a war. This is why a prominent labor leader thinks he can tell a reporter that he expects payback from Democrats for the support he gave them during last year's elections. And this is how vulgar insults hurled from over-caffeinated activists can suddenly pass for legitimate political discourse.

When these things happen, it's easy to see why cynicism about government persists. And it's easy to see why something needs to change. Both sides are guilty. The Republicans need to re-evaluate the way decisions are made in Washington, and so do Democrats.

But one thing is clear; every decision cannot be based on a political calculation, because the usual interest groups so seldom agree. President Obama seems to understand this. His campaign was based on the notion that ordinary Americans would have a seat at the table, and broadening the old constituencies is, as he suggested, one way, one sure way to uphold that pledge.

Once we do this, there are many issues on which we can cooperate. President Obama mentioned several of them on the campaign trail – reducing the national debt, increasing energy independence, and lowering taxes. There are others. But achieving any one of them will be impossible without cooperation between both parties in Congress and between Congress and The White House.

Now I realize that if you told most people Mitch McConnell is down at the National Press Club hoping for bipartisanship, they'd tell you that's like an insurance agent hoping for an earthquake. Most people don't exactly view me as the Mr. Rogers of the Senate. But respectfully, I think reporters too often confuse being conservative with being partisan. And while my voting record clearly reflects my core values, it also reflects a long commitment to working with others.

Senator Feinstein has been my closest collaborator in fighting human rights abuses in Burma. For years I've worked alongside Senator Dodd on the Senate Rules Committee, where we teamed up to pass the Help America Vote Act. And more recently, I took a lead role in brokering a bipartisan financial rescue plan just a few weeks before my own reelection bid last fall.

I fought for the rescue package because I thought the country needed it, even though my party could have frankly done without it. And I ended up paying for my efforts. Soon after the deal was struck, one of the very people who had sat at the negotiating table with me ended up running ads against me on that very issue. He saw that it made me vulnerable back home and tried to capitalize on it politically, which I certainly did not expect. But these are the risks that politicians have to take from time to time in order to achieve something worthwhile. And it's a risk I was willing to take.

There was, of course, a time (and some of you remember this) when working on a bipartisan basis to achieve big things for the nation, did not mean exposing oneself to attack ads by one's own colleagues. For years, the Senate was a place where real friendships across party lines were quite common. One thinks of the breakfast meetings between Mike Mansfield and George Aiken, or Jim Eastland and Gaylord Nelson, men as far apart ideologically as you could find, spending time together after a long day's work.

My Senator mentor, John Sherman Cooper, had a close relationship with President Kennedy. These friendships were always good for the Senate. And occasionally they paid major dividends for the whole country. One of the great examples of this in a modern era is the Social Security fix of 1983 brokered by Pat Moynihan and Bob Dole. And it's an example we could learn a lot from today.

As Moynihan later recalled it, the genesis of that particular achievement came on the morning of January 3rd, 1983. Dole had published an op-ed piece in that day's edition of *The New York Times* in which he said Republicans were eager to accomplish big things in the coming year. He cited Social Security as a case and point, arguing that the looming insolvency of Social Security should overwhelm every other domestic priority.

By accelerating already scheduled taxes and reducing future benefit increases, Dole said, Social Security could be made solvent for decades. At some point later in that very day, Moynihan approached Dole on the Senate floor. If Dole really thought Social Security could be saved, he said, why not try to do it together? Well, a mere thirteen days later, an agreement was reached and the Social Security crisis had passed.

Twenty years later, Bob Dole could say that he had been the longest serving Republican leader in history, and the Republican nominee for President of The United States. But when a reporter asked him what he considered his proudest accomplishment in a lifetime of public service, the first thing that came to his mind was the Social Security fix of 1983. Dole explained it this way:

“Those things that are lasting are bipartisan. If you don’t have a consensus, it’s not goin’ to last.”

This kind of bipartisan consensus has been increasingly rare in recent years, and the nation has suffered as a result. We saw this four years ago when President Bush, newly reelected and with expanded Republican majorities in Congress, had the courage to put Social Security reform on the agenda. When he asked for bipartisan help, not one Democrat, not one, stepped forward to help. I was the number two in my party at the time. And I remember having a meeting in my office with several of what I would call our Social Security entrepreneurs. We had three or four who had different thoughts about how to get at the problem. And I said, “Why don’t you go out and see if we can find a Democrat, any Democrat, to be for anything.”

Six months later, we reconvened. And sadly I would report to you, there was not a single one available for any approach. The hot button issue of course was always private retirement accounts as a part of it, but leaving it out, there was nobody willing to touch it.

So we lost out on an opportunity to fix a crucial program that we all know needs to be fixed. Today, Democrats have substantial majorities in the Senate and the House. They control The White House. And now Democrats assume responsibility for a number of pressing problems, including the one they refused to face in 2005. The problem with entitlement spending has certainly not gone away. On Social Security in particular, the situation is increasingly dire. In 1950, sixteen workers paid for every one person who received Social Security benefits. Today it’s about three workers per beneficiary. Within ten years, more money will be coming out of Social Security than going in — ten years from now.

Looking at entitlements in general, Social Security, Medicare, Medicaid, and other programs will soon consume about twice the percentage of the Federal budget they did four decades ago. If we don’t reign this spending in, soon we’ll have only a fraction left for things like defense, roads, bridges, and education. And this is not a problem that raising taxes will solve.

In order to meet all of our current entitlement promises, we’d have to extract \$495,000 dollars from every American household. The expansion of entitlement spending is a looming crisis that has been overlooked for too long. And with control of The White House and big majorities in Congress, Democrats now owe it to the American people to put their power to work on this vital issue.

And here’s my pledge. If they do so, they can expect more cooperation from Republicans than the last President received from them. President-Elect Obama-- He’s actually President. Sorry about that. President Obama has said he

wants to tackle the entitlements crisis. We had an opportunity to actually discuss that briefly this very morning. But in order to succeed, he'll have to continue to reject the hyper-partisanship that exists in some quarters of Congress. And he'll have to engage Republicans on the merits of our ideas.

Now the good news is that most people think ideas should be assessed on their merits, not on the Senator or the President who proposes them. Our new President seems to think the very same thing. And as Senate Republican leader, I also pledge to make this a firm principle in my dealings with this Administration.

President Obama's campaign reminded many in Washington, including many Republicans, of the aspirations that the American people have about their government. People want their leaders to work together to solve problems, not just to set traps. The challenge now is for both parties to cooperate, not just in word, but in deed.

In all this, politics will certainly have its place. But at this moment, achieving big things for the country is where my ambitions lie. Voters from both parties think Washington is broken. And that is indeed a shame. But if both parties have helped to create this cynical view of government, then both parties will have to work to correct it. And we can start, once the current debate over the stimulus package is through, by working to reform Social Security and Medicare.

In this and in other efforts, there will be disagreements. But they can be principled disagreements. And the results of principled disagreement is often principled cooperation. The result won't satisfy everyone. As Bob Dole said of the 1983 Social Security fix, "No one got everything. And everyone got something." But many of the domestic problems we face are simply too great to kick the can down the road any longer. We need to summon the courage to act on issues that are of grave concern to our nation's future. And the long-term sustainability of entitlements is one of them.

As Republicans look for common ground in this and other areas where legislative progress can be made, some will no doubt accuse us of compromise. But those who do so will be confusing compromise with cooperation. And anyone who belittles cooperation resigns him or herself to a state of permanent legislative gridlock. And that is simply no longer acceptable to the American people.

President Obama has shown himself to be a man of legislative ambition. He reaffirmed this on Tuesday when he called on the country to recognize collective failures, and when he called on politicians to step up to the unpleasant task and seek first the interest of the whole.

Make no mistake — some of our new President’s proposals will be met with strong, principled resistance from me and from others. But many of his ambitions show real potential for bipartisanship. And if we see sensible bipartisan proposals, Republicans will choose bipartisan solutions over partisan failures every single time. Thank you so much. (Applause.)

MS. LEINWAND: Okay, we’ve got lots of questions for you. We’ll start with the beginning of your speech. You mentioned both parties have not stood up to interest groups. You mentioned Code Pink and labor, and their relationship with the Democrats. Which interest groups aligned with Republicans should your party stand up to?

SEN. McCONNELL: Well first, I can confidently say without fear of contradiction, there is no interest group that sort of owns my conference. We had yesterday on the floor of the Senate a bill that I must say was basically a trial lawyer bailout bill related to eliminating the statute of limitations in kinds of litigation for pay discrimination. There is no interest group that could march into the Senate conference and say, pass a bill like that. We don’t have an interest group like the AFL-CIO that basically operates as another political party and bosses around our members.

There are some interest groups that have some influence with some of my members. You are familiar with them. But nobody owns the Republican conference, in the same way it looks like the plaintiffs bar and the AFL-CIO seem to be able to put everybody in the Democratic conference into lockstep and just march.

MS. LEINWAND: There has been some concern within Republican circles that Senator Bunning won’t be able to win reelection in 2010. Do you think Senator Bunning is the most vulnerable GOP candidate in Kentucky, or vulnerable candidate anywhere?

SEN. McCONNELL: I got the drift. Senator Bunning has not announced his intentions yet. And until he does, we’re not going to-- I’m not going to engage in speculation about the Kentucky Senate race.

MS. LEINWAND: You mentioned that your Democratic colleagues launched attack ads against you during the campaign. In light of your comments on bipartisanship, will you ask national Republican chairman, John Cornyn, to halt attacks against Senator Reid who is up for reelection in 2010?

SEN. McCONNELL: The point I was making with regard to the financial rescue plan in October, here we had a major crisis, recognized by both parties. Senator Kennedy was not there, but there were 99 senators present; 74 of

the 99 voted for this package. Senator Obama and Senator McCain came back and voted for the package. This was a major national crisis, not a second tier issue by any means. And the thought that individuals who were involved in negotiating the package would then turn around and go out and attack people in the other party for trying to save the country I thought was beyond the pale.

Now that doesn't mean that the two chairmen of the senatorial committees are not going to be critical. That's what they do. They run campaigns. But this was a moment of incredible significance. Rarely in the Senate do we all sit at our desk where we're supposed to. We were all at our desk. It was a sober moment. You all remember it. And the notion that somebody who was involved in negotiating the package would then turn around and attack members who stuck their necks out to try to save the country, I think was beyond the pale.

MS. LEINWAND: How are these attacks affecting your relationship with Senator Reid?

SEN. McCONNELL: I have a great relationship with Senator Reid. You can ask him. We're friends. We deal with each other every day. We're talking frequently about how to move things forward in the Senate. I have no complaints whatsoever about my relationship with Senator Reid.

MS. LEINWAND: Senator Kay Bailey Hutchison is considering resigning her Senate seat and running for Governor of Texas. That would set up a special election in May, 2010. But her resignation could give Democrats a shot at 60 seats. In your opinion, should Senator Hutchison keep her seat until the end of this Congress?

SEN. McCONNELL: Well, I think this is a question similar to the Kentucky question. If I have any advice to give to Senator Hutchison, I'll give it to her privately.

MS. LEINWAND: Everybody wants to know about every race. So we're working our way through the country here. If the Minnesota senate race continues to drag on, do you think Governor Pawlenty should and has the authority to appoint someone to the Senate until the court case is resolved?

SEN. McCONNELL: Yeah, let me say this about the Minnesota senate rate. It's going to be decided in Minnesota. It's not over yet, but it's not going to be decided in the Senate. It's going to be decided in Minnesota. And I know everyone is impatient for it to be over. And I'm sure the two candidates would love for it to be over. But it ain't over yet, as the old-- "It ain't over till it's over." And it's not over under Minnesota law until the legal process runs its course.

Now what to do about the interim would be also governed, I think, by Minnesota law. And so the people in Minnesota are going to have to decide how they want to deal with this hiatus that has occurred here as a result of what seems to everyone (certainly I know it seems that way to the candidates) an endless election.

MS. LEINWAND: I think it's possible that one of our questioners has read your mind. You've said the race should be decided in Minnesota, not Washington. So do you believe the Senate Rules Committee should have no part, even if Mr. Franken or Mr. Coleman petition the Committee to review the election results?

SEN. McCONNELL: Yeah, there is nothing for the Senate to do because the election is not over. Under Minnesota law, an election certificate does not issue until the litigation is complete. There is nothing for the Senate, United States Senate, to do.

MS. LEINWAND: Senate Republicans have said that they would block any attempt to seat Al Franken prior to Norm Coleman's legal challenge being resolved. If the challenge is resolved in Franken's favor, will Republicans welcome Franken to the Senate?

SEN. McCONNELL: Well, that's a big hypothetical. At the risk of repeating myself, the election's not over. When the election is over, somebody will be seated.

MS. LEINWAND: Okay. Moving from Minnesota to Alaska, right before the election, you called for Senator Ted Stevens of Alaska to step down after his conviction on corruption-related charges. After the election, you praised him on the Senate floor for his years of service. What is your position on Mr. Stevens? Do you think he should serve time in jail?

SEN. McCONNELL: Well obviously I'm not going to answer that question. That appeal is underway. Senator Stevens was defeated in the November election. He's not currently in the Senate. And I assume that he is, you know, defending himself as he has a right to do, through the appeals process.

MS. LEINWAND: You've raised concerns that Senator Schumer broke his commitment and paid for attack ads against you on your bailout vote. Have you told Senator Schumer about your concern? And how has he responded?

SEN. McCONNELL: No, we've not discussed it.

MS. LEINWAND: So you're not going to bring this up with him?

SEN. McCONNELL: I think he's familiar with my views.

MS. LEINWAND: Four of 19 Republicans up for reelection in 2010 say they will retire. What's the landscape for Republicans in 2010 compared to last year?

SEN. McCONNELL: Well, from a numbers point of view, it's not great. I mean, I think we have 19 up and the balance are Democratic. Having said that, there is-- As much as I like and admire President Bush and supported him almost all of the time, and my opponent certainly made sure everybody in Kentucky knew that, the President became quite a political liability. And I've talked to a lot of pollsters since the election. And the one thing that they all have in common is, don't make the election too complicated. Presidential popularity, or lack thereof, is the currency of the realm for the party of the President. And it's not just George W. Bush. I would remind you that we had-- my side had the best congressional election of the 20th Century in 1994. It was because of the unpopularity of President Clinton.

So presidential popularity becomes absolutely critical to the success of the people wearing the label that the President wears as well. And in '06 and in '08, the fundamental drag on my party was, regretfully, the low standing of the President, which was used in, you know, almost all the commercials against every Republican candidate in the country. So looking to 2010, obviously that particular issue will not be extant. And other issues will be in play. And with all due respect to the new President and the enhanced majorities in the House and Senate, governing is tough business. Governing is hard. It's very difficult to govern and not create issues and make mistakes. And I'm optimistic that the landscape in 2010 for my party will be very different than it was in '06 and '08.

MS. LEINWAND: How will the Republican Party refocus? What issues do you think that the Republicans can own in the next election cycle?

SEN. McCONNELL: Well, I think that's impossible to predict, particularly this early. I mean, the election is over. People would like a respite for politics. They'd like to see us, as I indicated in my remarks, cooperate and do some important things for the country in a very difficult economic environment. And so I think the best path for my party, for the near future, is to turn off the political machine and get about the business of governing, which I think will benefit both sides, and certainly the country.

MS. LEINWAND: How can Senate Republicans affect President Obama's agenda?

SEN. McCONNELL: Affect his agenda? Well, to the extent that he would like to include our ideas-- and he has indicated on numerous occasions, again, including the meeting we had this morning that he is, you know, not just going through the motions. He's really interested in our suggestions on things like the stimulus package. And I've thrown out a few myself. I've said, why don't we, for example, take a look at the possibility of a one- or two-year holiday on the payroll tax? Benefits both individuals and businesses immediately. *Immediately.*

I've suggested that we might consider the possibility of making assistance to states under the same terms and conditions that we made assistance to the financial institutions. Make it a loan and not a grant. The terms to the financial institutions were five percent over five years, and nine percent after that. Now, this would not be popular with states. You can understand why. I think there is bipartisan enthusiasm in every state government in America for us borrowing money to send it down to them so they don't have to make tough decisions today.

Maybe that's a good idea. But I think that money would be spent more wisely if it were a loan and not a grant. You know? You'd be much less likely to see that money pop up in, say, a mob museum or a waterslide if it were borrowed money and not just a grant.

The third leg of any credible stimulus package, I think we all agree, the question is, kind of, how do you get at it? We have to go straight at the housing problem, which started it all in the first place. And we all know why Secretary Paulson had to detour. He had to detour because he was concerned about imminent collapse. And so he decided to infuse capital and take equity positions in financial institutions, as opposed to buying up trouble assets. Because that would have taken so long, that they were afraid they'd have a collapse before then.

So we understand-- We understand why he changed direction. But the troubled assets are still there. And so I think, you know, hopefully the second tranche of the TARP will be used for a good deal of that. But we need to go straight at the housing problem. And if the second tranche of TARP is not enough, that is another potential candidate for the stimulus.

Finally let me say, I think the theory of the stimulus ought to be what Speaker Pelosi said last year. I think she had it right. Timely, temporary, and targeted. We should not use the stimulus as a cover for exacerbating the problem. And I believe the House Democratic stimulus package actually increases entitlement spending. You know, you heard, I just spoke about a few minutes ago, about the problem we already have with entitlements. I believe that it actually increases entitlement spending. That is exactly the wrong thing to do for the long-term. So to sum it up, I think he's open to our ideas. I've given you some of mine.

We're giving both the Democratic majority and the Administration suggestions. And we'll see as we go along how many of them are incorporated.

MS. LEINWAND: What are the prospects for passing the stimulus bill?

SEN. McCONNELL: It will happen. And I think it will happen before the anticipated week off in February. You know, there's widespread consensus here. We've had a number of conservative economists in front of our group, including some Wednesday. And everybody believes that government action is necessary. And this is coming out of the mouth of somebody who doesn't normally advocate government action as a first resort here.

But there's widespread agreement that the government needs to step up here to do something significant. Pretty interesting and good debate about what. But not much debate about whether. And I think we will come together behind a package. Hope it'll be a package most of my members can support. I can't predict that in advance. But I believe in terms of when, that it will be done before the anticipated week off in February.

MS. LEINWAND: Do you have any examples of items in the stimulus bill that benefit specific industries, but don't necessarily create jobs quickly?

SEN. McCONNELL: Well, I'm not going to rattle off examples. But at the risk of being redundant, let me say once again. The reason I think the assistance to states would be better to be loans is because I know I'm-- Not going to mention any of my favorite groups in Kentucky, but everybody's making their list and checking it twice. I mean, there is widespread bipartisan enthusiasm for this money. And every one of those good folks think that their idea is a great idea, absolutely essential, and of course would stimulate the economy.

To the extent that we send money down to states with little or no strings attached, you are inevitably going to have a lot of projects that are not going to pass the smell test in terms of the national emergency we have, which is not to say that those projects may not be worthwhile, and maybe ought not to be financed by this city government or that city government. But do we really want to borrow money from our grandchildren? You know, the example I gave was to build a mob museum or a waterslide. I mean, I think the answer is no.

MS. LEINWAND: Speaking of the lists and checking them twice, how much pressure are lawmakers under from companies and local governments back home to insert, not necessarily earmarks, but other provisions that would specifically benefit entities in their state?

SEN. McCONNELL: Yeah, I think the earmark threat is going to be more at the local level. I mean, if you send the money down with no strings attached, and it sort of filters through the process, I think that's where you're likely to get the projects. I think this bill is likely to be-- the Federal bill is likely to be relatively project-free. We'll see what it looks like. But I think it'll probably be mostly project-free. But where they will pop up is giving sort of unrestricted money to the states, just giving it to them, no loan, no nothing. That's when it'll happen.

MS. LEINWAND: President Obama has moved to close the prison at Guantanamo Bay and to ban any interrogation methods inconsistent with the Geneva Conventions or not specifically spelled out in the Army Field Manual. To what extent do those actions increase the risk that terrorists will go free or otherwise hurt America's ability to protect itself from another terrorist attack?

SEN. McCONNELL: I'm guessing that this is not a meeting of the George Bush Fan Club here. So let me just give the President credit for what he deserves credit for, which is, we weren't attacked again after 9/11 for his entire presidency. Now, there are two schools of thought on that. I guess one school of thought is, he was just lucky. That is a nonsense suggestion. It is a direct result, in my view, of getting on offense on the war on terror, not only in Afghanistan, but also in Iraq, which ended up becoming very partisan, as we all know.

And it also had to do with improving homeland security, and yes, a total reemphasis on going after terrorists. So let me say that I differ with both this President and the previous one. I don't think Guantanamo ought to be closed. I've been there. I think it is a perfect place for these people. We actually had a vote in the Senate on the question of moving them to The United States. The vote was 94 to 3. You can guess which side got the three.

With all due respect to the new President, it's one thing to say you're going to close Guantanamo. George W. Bush said he wanted to close Guantanamo. It does not answer the fundamental question. What are you going to do with them? And I noticed on that issue, they want to think about it for awhile. Well, they've been thinking about it for the last six or seven years. And the reason for it is, it's a very tough question. And, as you know, we've had kind of mixed results with the people we've let out. I think it is pretty dangerous. One thing to say you're going to close it, quite another to answer the question, "What are you going to do with it?"

Now with regard to interrogation techniques, torture is against U.S. law already. And if there was any doubt about that, that was further underscored by the detainee bill that we passed within the last couple of years. I think it is a mistake, however, to eliminate what are typically referred to as enhanced

interrogation techniques which would be, as I understand it, eliminated if the only techniques that were available were Army Field Manual techniques. And if that's what the new President meant, that we would only have available interrogation techniques just those specified in the Army Field Manual, then I think that's a mistake. Which is not saying that you should engage in torture. That's against the law. Nobody's in favor of that. But there's a difference between the level of interrogation allowed in the Army Field Manual and what's called enhanced interrogation techniques which the CIA and others have been entitled to use.

So to sum it up, I think closing Guantanamo is a bad idea unless you've got a really good plan for what you want to do with them. And number two, I do think that the Army Field Manual is too limiting in dealing with people who, you know, have the will and the capability to attack us again like they did on 9/11.

MS. LEINWAND: What is the status of the Employee Free Choice Act legislation at this point? And what form do you think it will pass or fail?

SEN. McCONNELL: Well, I came here to talk about bipartisanship, but this is an issue upon which there will be no bipartisanship. If you want to turn America into Europe, there's nothing will do it faster than eliminating the secret ballot in labor organizing elections, something poll data I've seen indicates 80% of union members think is a bad idea. This is not something rank and file union members are clamoring for.

We have the Secretary of Labor with us-- the former Secretary of Labor with us today. She isn't speaking, but let me just give you a statistic that she often reminded me of. In the private sector, union membership is now down to about 7%. How do you solve that problem? Well, you change the rules of the game. I mean, I could win every election if you'd let me write the rules. They're losing elections and losing membership, and want to figure out a way to change the rules.

Now, if you don't have a secret ballot, then that means workers can be visited at home, can be subjected to all kinds of peer pressure, and ordered to sign up. And it's, you know, fundamentally out of sync with what we've been preachin' to the rest of the world for at least a hundred years, that if you're going to have a democracy, you have to have a secret ballot. People have to be able to privately express their choices.

This is an outrageous proposal. It will fundamentally harm America, and Europeanize America. And we will have a big political fight over this. And I'm going to do everything I can and my members are going to do everything we can to defeat it.

MS. LEINWAND: All the GOP amendments for the Ledbetter Bill were defeated. Are there any prospects that GOP amendments will be approved in Senate debates given the Democratic majority? If Republicans don't filibuster, are they essentially conceding that a bill will pass?

SEN. McCONNELL: Well, elections have consequences. I'm pretty good at counting. Forty-one is not as many as forty-nine. You know? The cold hard reality is, we will not win as much with our diminished numbers as we were able to before. And the Ledbetter Bill that you just referred to is an example of that. We did lose the amendments that we offered. But this is the beginning of the Democratic enhanced majority. We'll see how it holds up. There are a number of Democratic senators who got elected in relatively red states. The post-election polls indicate America has not turned left. They may have decided they wanted to do something different from the current President, but the polls indicate, this is still a right of center country. And you've got a number of Democratic senators representing right of center states.

Obviously my hope is that someplace along the line here, they'll figure out that not only their political health, but their own views warrant voting with us more frequently than they might have demonstrated they were willing to do in the very first couple of weeks of the new session.

MS. LEINWAND: We have a GITMO follow-up question. Do Republicans plan legislation to block the Guantanamo and interrogation policies announced yesterday? If the new policies are so dangerous, don't you have a duty to fight them?

SEN. McCONNELL: Well, we'll discuss where we go from here. But I gave you my view of the President's executive orders. I think they were ill advised. And in terms of whatever legislative strategy might be employed, I'll let you know.

MS. LEINWAND: News reports today say that Senate Republicans may go along with Democrats in approving a delay in the digital television transition. Is this true? And do you think there will be a delay in the transition date?

SEN. McCONNELL: Honestly, I have no earthly idea. I haven't discussed that issue with anyone yet. And what you mentioned is news to me.

MS. LEINWAND: All right. Being from a tobacco producing state, how do you foresee the legislative proposals to extend FDA jurisdiction to tobacco products playing out in this Congress? Will Republicans try to block it again? And do you have the votes?

SEN. McCONNELL: Yeah. You didn't ask me this, but let me just say a quick word about the tobacco buyout which I wrote and we passed a few years ago. When I came to the Senate, we had over 100,000 tobacco producers in my state, in 119 of 120 counties. I mean, if you-- just think of that as a parochial issue. But let me tell you the impact of that on public health. With that many producers, it's sort of like the folks in my state who work at the Ford plant or the GM plant or the Toyota plant. They drive a Ford product, a GM product, or a Toyota product.

We had a huge number of people engaged in raising the producing of tobacco and so they used it. And so we have led the country or have been second in two very unfortunate statistics — heart disease and cancer. So breaking the tobacco culture in Kentucky, if I had to name the one thing that I've done that had the biggest positive impact on my state, I would say the tobacco buyout. Because we now have about 6,000 people producing tobacco instead of 100,000. And while we still are an important tobacco state, it is not as pervasive as it used to be. And the tobacco culture has largely ended in Kentucky. We have no public smoking ordinances in Louisville and Lexington. And the Republican state senate president, who is the leader of my party in the state senate where we have a majority, recently advocated a statewide smoking ban. This is in Kentucky.

Times have changed. With regard to FDA regulation, I haven't decided exactly how I feel about that, principally because the people I know over at the FDA don't want the responsibility and don't think they can carry it out with their current staff. So it partly is a question of, is this an appropriate thing for the FDA to do? And do they have the staff to do it?

The public health argument in my state is over. And if the public health argument is over in Kentucky, it's over everywhere with regard to the hazardous nature of the product. But there's still a legitimate issue about whether this is the kind of thing the FDA ought to be doing. And if it is, do they have the staff to do it?

MS. LEINWAND: In light of the recent debates on SCHIP and the stimulus, what do you expect the Republicans to do in regard to healthcare reform?

SEN. McCONNELL: Well, we intend to take Senator Daschle up on his word, given to me and to others, that he believes that the Obama Administration will not sort of hand down a healthcare proposal from The White House. One of my favorite old country sayings is, "There's no education in the second kick of a mule." And apparently, I think we would all agree the handing down of a healthcare plan during the Clinton years didn't work out too well.

So I think Daschle's preference (again, he can speak for himself but I don't think I'm talking out of school) is to have a legislative process that is bipartisan in nature and does not use the reconciliation process, which is a way of shutting out the minority. And so that was music to my ears and an indication, I think, that Daschle, on behalf of the new President, felt that this ought to be done on a bipartisan basis. That's what we're anticipating.

I've named four of my members who are experts in this area to kind of lead our discussions — Judd Gregg, Mike Enzi, Chuck Grassley, and Orin Hatch. We had in fact an hour meeting on this subject just yesterday. And we fully expect to be a full partner in developing major healthcare reform.

MS. LEINWAND: What is your understand of the foreign policy concept of smart power?

SEN. McCONNELL: I'm not sure I know what that means. Probably in the eye of the beholder. I'm not sure I know exactly what that means. I assume it probably means, um, be careful when you decide to attack. And I think most everybody would agree with that.

MS. LEINWAND: What are you expecting will be the most dramatic changes of course by the new Administration? And how will Republicans react to them?

SEN. McCONNELL: Well, I don't know. We'll sort of have to wait till we get them. Obviously our early discussions with the Administration have almost entirely centered around this stimulus package, what ought to be in it, and how soon we ought to pass it. And, you know, they've just been in office for two or three days. So I'm not going to just kind of speculate about what their priorities might be. I assume the President will try to do things that he felt like he committed to do during the campaign. And we'll react to them based on what form they take. I mean, you know, he's indicated repeatedly, wants to govern to the middle.

In that effort, I think some of his biggest problems may be with his own party in the Congress. Most of the Democratic chairmen are pretty far to the left and will be kind of constantly tugging him in that direction. I think there's a lot of temptation on the stimulus package on the part of a number of members of the House, maybe the Senate, too (we'll see what that package finally looks like) to load it up with things that they've been wanting to do for a long time that may or may not have anything to do with timely, temporary, and targeted. So I'm anticipating, he's going to resist that. And I hope he will successfully resist it.

MS. LEINWAND: Where do you see transportation infrastructure ending up in the stimulus?

SEN. McCONNELL: Well, I think it's likely to be a part of the package. The challenge is, how do you get it-- You know, do you get bang for the buck quickly? Everybody knows that infrastructure spending is popular politically. Everybody's in favor of doing more of it. The fundamental problem there is the spend-out part of it. You know? If we're going to try to be timely, temporary, and targeted, just how much bang for the buck do you get quickly? And there's a pretty serious debate about whether, even though it's desirable, whether it's the best thing to do in this package.

MS. LEINWAND: We are almost out of time this afternoon. But before asking the last question, we have a couple of important matters to take care of. First of all, let me remind our members of future speakers. We have a special treat coming up on February 10th. Dolly Parton, singer/songwriter and actress will be addressing the National Press Club.

And second, I'd like to present our guest with the official gift, the National Press Club coffee mug. (Applause.)

SEN. McCONNELL: Thank you very much.

MS. LEINWAND: And for our last question, would you consider increasing the size of the Armed Services as a means of using the stimulus money?

SEN. McCONNELL: Reducing the size?

MS. LEINWAND: Increasing.

SEN. McCONNELL: Oh. Well several-- Marty Feldstein, for example, who is, you know, widely known as a conservative economist was at the Democratic policy lunch yesterday. And one of the things he's recommended that would be stimulative is actually spending money on military equipment, which we need anyway, and apparently he believes produces a lot of bang for the buck. So that's just another thought that everybody's weighing as these two stimulus packages are put together. Well, I guess the House package has been put together. Ours has not yet. So there is some discussion about a military equipment component of a stimulus package.

MS. LEINWAND: Thank you. I'd like to thank you for coming today. I'd like to thank our audience. I'd also like to thank National Press Club

staff members, Melinda Cooke, Pat Nelson, JoAnn Booz and Howard Rothman for organizing today's lunch. Also thanks to the NPC Library for its research.

The video archive of today's luncheon is provided by National Press Broadcast Operations Center. NPC luncheons are available for free download on iTunes, as well as on our website. Non-members may purchase transcripts, audio and videotapes by calling 202.662.7598 or at archives@Press.org. For more information about the Press Club, please go to our website, at www.press.org.

And thank you very much. We are adjourned. (Gavel sounds.)

END