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PRESS CONFERENCE BY THE PRESIDENT

James S. Brady Press Briefing Room

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THE PRESIDENT: Good afternoon, everybody. I am eager to take your questions, so I'll try to be brief at the top.

This morning, I had a chance to speak with Speaker Boehner, and I told him what I've been saying publicly, that I am happy to talk with him and other Republicans about anything -- not just issues I think are important, but also issues that they think are important. But I also told him that having such a conversation, talks, negotiations, shouldn't require hanging the threats of a government shutdown or economic chaos over the heads of the American people.

Think about it this way. The American people do not get to demand a ransom for doing their jobs. You don't get a chance to call your bank and say, "I'm not going to pay my mortgage this month unless you throw in a new car and an Xbox. If you're in negotiations around buying somebody's house, you don't get to say "Well, let's talk about the price I'm going to pay, and if you don't give me the price then I'm going to burn down your house."

That's not how negotiations work. That's not how it happens in business; it's not how it happens in private life. In the same way, members of Congress -- and the House Republicans, in particular -- don't get to demand ransom in exchange for doing their jobs. And two of their very basic jobs are passing a budget and making sure that America is paying its bills.

They don't also get to say, "Unless you give me what the voters rejected in the last election, I'm going to cause a recession." That's not how it works. No American President would deal with a foreign leader like this. Most of you would not deal with either coworkers or business associates in this fashion, and we shouldn't be dealing this way here in Washington.

And I've heard Republicans suggest that, well, no, this is reasonable, this is entirely appropriate. But as I've said before, imagine if a Democratic Congress threatened to crash the global economy unless a Republican President agreed to gun background checks

or immigration reform? I think it's fair to say that Republicans would not think that was appropriate.

So let's lift these threats from our families and our businesses, and let's get down to work.

It's not like this is a new position that I'm taking here. I had Speaker Boehner and the other leaders in just last week. Either my Chief of Staff or I have had serious conversations on the budget with Republicans more than 20 times since March. So we've been talking all kinds of business. What we haven't been able to get are serious positions from the Republicans that would allow us to actually resolve some core differences. And they have decided to run out the clock until there's a government shutdown or the possibility of default, thinking that it would give them more leverage. That's not my characterization; they've said it themselves. That was their strategy from the start. And that is not how our government is supposed to run.

It's not just me, by the way, who has taken the position that we're willing to have conversations about anything. Senate Democrats have asked to sit down with House Republicans and hash out a budget, but have been rejected by the House Republicans 19 times. At the beginning of this year, Speaker Boehner said, what we want is regular order and a serious budget process, so the Senate should pass a bill and the House should pass a bill. And then, a committee comes together and they hash out their differences, and they send a bill to the President. Well, that's exactly what Democrats did. Except somewhere along the way, House Republicans decided they wouldn't appoint people to the committee to try to negotiate. And 19 times, they've rejected that.

So even after all that, the Democrats in the Senate still passed a budget that effectively reflects Republican priorities, at Republican budget levels, just to keep the government open. And the House Republicans couldn't do that either.

The point is I think not only the White House, but also Democrats in the Senate and Democrats in the House have shown more than ample willingness to talk about any issues that the Republicans are concerned about. But we can't do it if the entire basis of the Republican strategy is, we're going to shut down the government or cause economic chaos if we don't get 100 percent of what we want.

So my suggestion to the Speaker has been and will continue to be let's stop the excuses. Let's take a vote in the House. Let's end this shutdown right now. Let's put people back to work. There are enough reasonable Republicans and Democrats in the House who are willing to vote yes on a budget that the Senate has already passed.

That vote could take place today. The shutdown would be over. Then, serious negotiations could proceed around every item in the budget.

Now, as soon as Congress votes to reopen the government, it's also got to vote to meet our country's commitments -- pay our bills; raise the debt ceiling. Because as reckless as a government shutdown is, the economic shutdown caused by America defaulting would be dramatically worse.

And I want to talk about this for a minute, because even though people can see and feel the effects of a government shutdown -- they're already experiencing it right now -- there are still some people out there who don't believe that default is a real thing. And we've been hearing that from some Republicans in Congress that default would not be a big deal. So let me explain this.

If Congress refuses to raise what's called the debt ceiling, America would not be able to meet all of our financial obligations for the first time in 225 years. And because it's called "raising the debt ceiling," I think a lot of Americans think it's raising our debt. It is not raising our debt. This does not add a dime to our debt. It simply says, you pay for what Congress has already authorized America to purchase. Whether that's the greatest military in the world, or veterans benefits, or Social Security -- whatever it is that Congress has already authorized, what this does is make sure that we can pay those bills.

Now, the last time that the tea party Republicans flirted with the idea of default two years ago, markets plunged, business and consumer confidence plunged, America's credit rating was downgraded for the first time. And a decision to actually go through with it, to actually permit default, according to many CEOs and economists, would be -- and I'm quoting here -- "insane," "catastrophic," "chaos." These are some of the more polite words.

Warren Buffett likened default to a nuclear bomb, a weapon too horrible to use. It would disrupt markets. It would undermine the world's confidence in America as the bedrock of the global economy. And it might permanently increase our borrowing costs -- which, of course, ironically would mean that it would be more expensive for us to service what debt we do have, and it would add to our deficits and our debt, not decrease them. There's nothing fiscally responsible about that.

Preventing this should be simple. As I said, "raising the debt ceiling" is a lousy name, which is why members of Congress in both parties don't like to vote on it, because it makes you vulnerable in political campaigns. But it does not increase our debt. It does not grow our deficits. It does not allow for a single dime of increased

spending. All it does is allow the Treasury Department to pay for what Congress has already spent.

But, as I said, it's always a tough vote. People don't like doing it -- although it has been done 45 times since Ronald Reagan took office. Nobody in the past has ever seriously threatened to breach the debt ceiling until the last two years. And this is the creditworthiness of the United States that we're talking about. This is our word. This is our good name. This is real.

In a government shutdown, millions of Americans face inconvenience or outright hardship. In an economic shutdown, every American could see their 401ks and home values fall; borrowing costs for mortgages and student loans rise. And there would be a significant risk of a very deep recession at a time when we're still climbing our way out of the worst recession in our lifetimes. The American people have already fought too hard and too long to come back from one crisis only to see a handful of more extreme Republicans in the House of Representatives precipitate another one.

Now, the good news is, over the past three and a half years, our businesses have created 7.5 million new jobs. Our housing market is healing. We've cut the deficit in half since I took office. The deficit is coming down faster than any time in the last 50 years. America is poised to become the number-one energy producer in the world this year. This year, for the first time in a very long time, we're producing more oil than we're importing.

So we've got a lot of good things going for us. But the uncertainty caused by just one week of this nonsense so far has caused businesses to reconsider spending and hiring. You've seen consumer confidence plunge to the lowest level since 2008. You've seen mortgages held up by thousands of homebuyers who weren't sure about the economic situation out there. And all this adds to our deficits; it doesn't subtract from it.

So we can't afford these manufactured crises every few months. And as I said, this one isn't even about deficits or spending or budgets. Our deficits are falling at the fastest pace in 60 years. The budget that the Senate passed is at Republican spending levels. It's their budget that Democrats were willing to put votes on just to make sure the government was open while negotiations took place for a longer-term budget.

And what's happened -- the way we got to this point was one thing and one thing only, and that was Republican obsession with dismantling the Affordable Care Act and denying health care to millions of Americans. That law, ironically, is moving forward.

So most Americans -- Democrats and Republicans -- agree that health care should not have anything to do with keeping our government open or paying our bills on time -- which is why I will sit down and work with anyone of any party not only to talk about the budget, I'll talk about ways to improve the health care system. I'll talk about ways that we can shrink our long-term deficits. I'll also want to talk about how we're going to help the middle class and strengthen early childhood education, and improve our infrastructure, and research and development. There are a whole bunch of things I want to talk about in terms of how we're going to make sure that everybody is getting a fair shake in this society, and that our economy is growing in a broad-based way and building our middle class.

And, by the way, if anybody doubts my sincerity about that, I've even put forward proposals in my budget to reform entitlement programs for the long haul, and reform our tax code in a way that would close loopholes for the wealthiest and lower rates for corporations and help us invest in new jobs and reduce our deficits. And some of these were originally Republican proposals, because I don't believe any party has a monopoly on good ideas. So I've shown myself willing to go more than halfway in these conversations.

And if reasonable Republicans want to talk about these things again, I'm ready to head up to the Hill and try. I'll even spring for dinner again. But I'm not going to do it until the more extreme parts of the Republican Party stop forcing John Boehner to issue threats about our economy. We can't make extortion routine as part of our democracy. Democracy doesn't function this way.

And this is not just for me. It's also for my successors in office, whatever party they're from -- they shouldn't have to pay ransom either for Congress doing its basic job. We've got to put a stop to it.

The last point I'll make -- already this week, I had to miss critical meetings in Asia to promote American jobs and businesses. And although, as long as we get this fixed, that's not long-term damage, whenever we do these things, it hurts our credibility around the world. It makes it look like we don't have our act together. And that's not something we should welcome. The greatest nation on Earth shouldn't have to get permission from a few irresponsible members of Congress every couple of months just to keep our government open or to prevent an economic catastrophe.

So let's pass a budget. Let's end this government shutdown. Let's pay our bills. Let's avert an economic shutdown. Let's drop the gimmicks, put aside what's good for any particular party, and let's focus on what's good for the American people because they know

we've got a lot of work to do.

All right? So with that, let me take a couple of questions, and I will start with Julie Pace of AP.

Q Thank you, Mr. President. Obviously, if Congress does pass a clean CR and a clean debt ceiling bill, those may just be short-term measures.

THE PRESIDENT: Yes.

Q If that happens, does your offer to negotiate with them on issues like health care and spending and deficit reduction still stand in the intervening weeks if they pass measures that are just perhaps six weeks or two months long?

THE PRESIDENT: Absolutely. I mean, what I've said is that I will talk about anything. What will happen is we won't agree on everything. I mean, the truth is, is that the parties are pretty divided on a whole bunch of big issues right now. Everybody understands that. And by the way, voters are divided on a lot of those issues, too. And I recognize that there are some House members, Republican House members, where I got clobbered in the last election, and they don't get politically rewarded a lot for being seen as negotiating with me. And that makes it harder for divided government to come together.

But I am willing to work through all those issues. The only thing that our democracy can't afford is a situation where one side says, unless I get my way, and only my way, unless I get concessions before we even start having a serious give-and-take, I'll threaten to shut down the government or I will threaten to not pay America's bills.

So I will not eliminate any topic of conversation. And I've shown myself willing to engage all the parties involved, every leader, on any issue.

Q And that applies no matter how long the time frame is on the debt ceiling bill that they would pass?

THE PRESIDENT: The only thing that I will say is that we're not going to pay a ransom for America paying its bills. That's something that should be non-negotiable. And everybody should agree on that. Everybody should say one of the most valuable things we have is America's creditworthiness. This is not something we should even come close to fooling around with.

And so when I read people saying, oh, this wouldn't be a big

deal, we should test it out; let's take default out for a spin and see how it rides -- and I say, imagine in your private life if you decided that, I'm not going to pay my mortgage for a month or two. First of all, you're not saving money by not paying your mortgage; you're just a deadbeat. And you can anticipate that will hurt your credit, which means that in addition to debt collectors calling, you're going to have trouble borrowing in the future. And if you are able to borrow in the future, you're going to have to borrow at a higher rate.

Well, what's true for individuals is also true for nations -- even the most powerful nation on Earth. And if we are creating an atmosphere in which people are not sure whether or not we pay our bills on time, then that will have a severe long-term impact on our economy and on America's standard of living. And that's not something that we should even be in a conversation about. That is not something that we should be using as leverage.

Okay. Julianna Goldman.

Q Thank you, Mr. President. You laid out the economic consequences of default, but if we were to get to that point, would you prioritize and pay bondholders first to maintain the semblance of credit or -- rather than Social Security recipients or military servicemen and women? And how would you go ahead and make that determination?

THE PRESIDENT: I am going to continue to be very hopeful that Congress does not put us in that position. And I think if people understand what the consequences are, they will set that potential scenario aside.

I do know that there have been some who have said that if we just pay bondholders, if we just pay people who have bought Treasury bills that we really won't be in default because those interest payments will be made. And to them, what I have to remind them is we've got a lot of other obligations, not just people who pay Treasury bills. We've got senior citizens who are counting on their Social Security check arriving on time. We have veterans who are disabled who are counting on their benefits. We have companies who are doing business for our government and for our military that have payrolls that they have to meet, and if they do not get paid on time, they may have to lay off workers. All those folks are potentially affected if we are not able to pay all of our bills on time.

What's also true is if the markets are seeing that we're not paying all our bills on time that will affect our creditworthiness even if some people are being paid on time. So, again, just to boil this down to personal examples, if you've got a mortgage, a car note

and a student loan that you have to pay, and you say, well, I'm going to make sure I pay my mortgage, but I'm not going to pay my student loan or my car note, that's still going to have an impact on your credit. Everybody is still going to look at that and say, you know what, I'm not sure this person is that trustworthy. At a minimum, presumably, they're going to charge a higher interest rate. That's what would happen to you if you made those decisions. Well, the same is true for the federal government.

So we are exploring all contingencies. I know that Secretary Lew, the Secretary of the Treasury, will be appearing before Congress on Thursday, and he can address some of the additional details about this. But let me be clear: No option is good in that scenario. There's no silver bullet. There's no magic wand that allows us to wish away the chaos that could result if, for the first time in our history, we don't pay our bills on time.

And when I hear people trying to downplay the consequences of that, I think that's really irresponsible. And I'm happy to talk to any of them individually and walk them through exactly why it's irresponsible. And it's particularly funny coming from Republicans who claim to be champions of business. There's no businessperson out here who thinks this wouldn't be a big deal. Not one. You go to anywhere from Wall Street to Main Street and you ask a CEO of a company, or ask a small businessperson whether it would be a big deal if the United States government isn't paying its bills on time, they'll tell you it's a big deal. It would hurt.

And it's unnecessary. That's the worst part of it. This is not a complicated piece of business. And there's no reason why, if, in fact, Republicans are serious about wanting to negotiate, wanting to have a conversation, wanting to talk, there's no reason why you have to have that threat looming over the conversations. I mean, think about it. The only reason that the Republicans have held out on negotiations up until the last week or so is because they thought it was a big enough deal that they would force unilateral concessions out of Democrats and out of me. They said so. They basically said, you know what, the President is so responsible that if we just hold our breath and say we're going to threaten default, then he'll give us what we want and we won't have to give anything in return. Again, that's not my account of the situation. You can read statements from Republicans over the last several months who said this explicitly.

And so, for them now to say, well, it wouldn't be a big deal if it happens, that's not how they've been acting over the last couple months. And if it's not a big deal, then why would I give them concessions now to avoid it? It is a big deal. And nobody should be getting concessions for making sure that the full faith and credit of the United States is retained.

Sam Stein.

Q Thank you, Mr. President. With Speaker Boehner so far unwilling to hold a vote on a clean CR, what assurances can you give to those affected by a shutdown who are concerned about an even longer impasse? And how worried are you, personally, that your preferred solution to this is a clean CR at sequestration levels that 'may do harm to the nation's economy and your second term agenda?

THE PRESIDENT: Well, I mean, Sam, you're making an important point, which is what we're asking of the Republicans right now is to keep the government open at funding levels that Democrats think are very harmful to the economy and inadequate to make sure that the economy is growing faster, more people are put back to work, and the middle class is growing. We're willing to pass at least a short-term budget that opens up the government at current funding levels. It doesn't even address the harm that's been done because of sequestration.

Now, the Democrats have a budget that would eliminate sequestration -- this meat-cleaver approach to deficit reduction -- and make sure that we're adequately funding basic medical research and Head Start programs and VA programs, and a whole range of things that have been really hard hit this year. But we recognize that there are going to have to be some compromises between the Democratic position and the Republican position. And in the meantime, we shouldn't hurt the economy even worse by shutting down the government.

So let me just give you an example -- very specific. Because of sequestration, because of the meat-cleaver cuts that have been taking place over the course of this year, thousands of families have lost Head Start slots for their children. So you've had parents all across the country who've been scrambling trying to figure out how can I find some decent, quality child care for my kids. Now, the government shutdown means several thousand more are going to be losing their slots.

If we vote today or tomorrow or the next day in the House of Representatives to go ahead and reopen the government, at least those additional several thousand people will be spared the difficulties of trying to scramble and figure out where your kid is going to be when you're trying to go to work. But it doesn't solve the broader problems. And if we were going to have real negotiations, the Democrats would say, let's solve the bigger problem -- what about all those thousands who have been hurt by sequester?

The Democrats aren't making that demand right now. We

understand there's going to have to be some give-and-take. What we are saying is, don't hurt more people while we're trying to resolve these differences; let's just at least make sure that we keep the lights on while we're having these conversations.

Q Do you support back-pay for furloughed workers?

THE PRESIDENT: Excuse me?

Q Do you support back-pay for furloughed federal workers?

THE PRESIDENT: Absolutely. I mean, that's how we've always done it.

Roberta Rampton.

Q Thanks. You talked a bit about the hit to credibility around the world that this impasse has caused. I'm wondering what you and your administration are telling worried foreign creditors -- China and Japan -- who are calling and asking about whether the United States is going to avoid defaulting on its debt.

THE PRESIDENT: Well, I won't disclose any specific conversations. But obviously my message to the world is the United States always has paid its bills and it will do so again. But I think they're not just looking at what I say, they're looking at what Congress does. And that ultimately is up to Speaker Boehner.

This will not get resolved, we're not going to calm creditors until they see Speaker Boehner call up a bill that reopens the government and authorizes the Secretary of the Treasury to pay our bills on time. And until they see that, there's going to be a cloud over U.S. economic credibility.

But it is not one from which we can't recover. I mean, we've been through this before. Every country -- every democracy, in particular -- has tussles over the budget, and I think most world leaders understand it. They, themselves, have been through it if they're in a democracy. What you haven't seen before, I think, from the vantage point of a lot of world leaders is the notion that one party in Congress might blow the whole thing up if they don't get their way. They've never seen that before. And that does make them nervous, particularly given what happened in 2011.

I mean, keep in mind we've been here before, right? We saw what happened in 2011. I think the assumption was that the Americans must have learned their lesson; that there would be budget conflicts, but nobody again would threaten the possibility that we would default. And when they hear members of the Senate and members of Congress

saying, maybe default wouldn't be that bad, I'll bet that makes them nervous. It makes me nervous.

It should make the American people nervous -- because that's irresponsible. It is out of touch with reality. It is based on a flawed analysis of how our economy works. You cannot pay some bills and not others, and think somehow that the fact that you're paying some bills protects you from a loss of creditworthiness. That's not what happens in our own personal lives. I don't know why people think that that's how it works for the United States government.

Q Do you think you might have emergency powers that you could use after any default situation?

THE PRESIDENT: We have used a lot of our emergency powers. Jack Lew has used extraordinary measures to keep paying our bills over the last several months. But at a certain point, those emergency powers run out, and the clock is ticking. And I do worry that Republicans, but also some Democrats, may think that we've got a bunch of other rabbits in our hat. There comes a point in which, if the Treasury cannot hold auctions to sell Treasury bills, we do not have enough money coming in to pay all our bills on time. It's very straightforward.

And I know there's been some discussion, for example, about my powers under the 14th Amendment to go ahead and ignore the debt ceiling law. Setting aside the legal analysis, what matters is, is that if you start having a situation in which there's legal controversy about the U.S. Treasury's authority to issue debt, the damage will have been done even if that were constitutional, because people wouldn't be sure. It would be tied up in litigation for a long time. That's going to make people nervous.

So a lot of the strategies that people have talked about -- well, the President can roll out a big coin, or he can resort to some other constitutional measure -- what people ignore is that, ultimately, what matters is what do the people who are buying Treasury bills think?

And, again, I'll just boil it down in very personal terms. If you're buying a house and you're not sure whether the seller has title to the house, you're going to be pretty nervous about buying it. And at minimum, you'd want a much cheaper price to buy that house because you wouldn't be sure whether or not you're going to own it at the end. Most of us would just walk away, because no matter how much we like the house, we'd say to ourselves, the last thing I want is to find out after I've bought it that I don't actually own it.

Well, the same thing is true if I'm buying Treasury bills from the U.S. government. And here I am sitting here -- what if there's a Supreme Court case deciding that these aren't valid, that these aren't valid legal instruments obligating the U.S. government to pay me? I'm going to be stressed -- which means I may not purchase them. And if I do purchase them, I'm going to ask for a big premium.

So there are no magic bullets here. There's one simple way of doing it, and that is Congress going ahead and voting. And the fact that right now there are votes, I believe, to go ahead and take this drama off the table should at least be tested. Speaker Boehner keeps on saying he doesn't have the votes for it, and what I've said is, put it on the floor, see what happens, and at minimum, let every member of Congress be on record. Let them vote to keep the government open or not, and they can determine where they stand, and defend that vote to their constituencies. And let them vote on whether or not America should pay its bills or not.

And if, in fact, some of these folks really believe that it's not that big of a deal, they can vote no, and that will be useful information for voters to have. And if it fails, and we do end up defaulting, I think voters should know exactly who voted not to pay our bills so that they can be responsible for the consequences that come with it.

Ari Shapiro.

Q Thank you, Mr. President. You mentioned the Supreme Court, and the term started today with the campaign finance case that sort of picks up where Citizens United left off. You've called Citizens United "devastating to the public interest," so I wonder if you could weigh in on this latest case.

THE PRESIDENT: Well, the latest case would go even further than Citizens United. I mean, essentially it would say anything goes; there are no rules in terms of how to finance campaigns. There aren't a lot of functioning democracies around the world that work this way, where you can basically have millionaires and billionaires bankrolling whoever they want, however they want -- in some cases undisclosed. And what it means is ordinary Americans are shut out of the process.

And Democrats aren't entirely innocent of this in the past. And I had to raise a lot of money for my campaign, so I -- there's nobody who operates in politics that has perfectly clean hands on this issue. But what is also true is that all of us should bind ourselves to some rules that say the people who vote for us should be more important than somebody who's spending a million dollars, \$10 million, or \$100 million dollars to help us get elected -- because we

don't know what their agendas are, we don't know what their interests are.

And I continue to believe that Citizens United contributed to some of the problems we're having in Washington right now. You have some ideological extremist who has a big bankroll and they can entirely skew our politics. And there are a whole bunch of members of Congress right now who privately will tell you, I know our positions are unreasonable, but we're scared that if we don't go along with the tea party agenda or some particularly extremist agenda that we'll be challenged from the right. And the threats are very explicit, and so they toe the line. And that's part of why we've seen a breakdown of just normal, routine business done here in Washington on behalf of the American people.

And all of you know it. I mean, I'm not telling you anything you don't know -- because it's very explicit. You report on it. A big chunk of the Republican Party right now are in gerrymandered districts where there's no competition, and those folks are much more worried about a tea party challenger than they are about a general election where they've got to compete against a Democrat or go after independent votes. And in that environment, it's a lot harder for them to compromise.

Mark Landler.

Q Thank you, Mr. President. This week, the President of China has visited several of the Asian countries that you were going to visit and have had to skip because of the shutdown.

THE PRESIDENT: Right.

Q He's also taken a big role at the two regional summits, both of which your administration has made a pretty big priority of as part of the broader Asia pivot. Does China benefit from the chaos in Washington? And then, more broadly, you've said in general that this hurts the reputation of the United States overseas. Are there specific things that you can point to where you already have seen some damage? And one that occurs to me is the trade deal that you've tried to do in Asia. The leaders today announced that they still want to wrap it up, but they no longer are able to say they want to wrap it up by the end of this year. Had you been there, do you think you could have gotten that additional push?

THE PRESIDENT: I think that's a great example, and we don't know, but it didn't help that I wasn't there to make sure that we went ahead and closed a trade deal that would open up markets and create jobs for the United States, and make sure that countries were trading fairly with us in the most dynamic, fastest-growing market in

the world. I should have been there.

But I can tell you -- because I had to apologize to some of the host countries -- that they understood that the most important thing I can do for them and the most important thing I can do for the bilateral relationship and America's reputation is making sure that we reopen our government and we don't default.

So I don't think it's going to do lasting damage. As I said, if we deal with this the way we should, then folks around the world will attribute this to the usual messy process of American democracy, but it doesn't do lasting damage.

In the short term, I would characterize it as missed opportunities. We continue to be the one indispensable nation. There are countries across Asia who have welcomed our pivot because they want to do business with us. They admire our economy. They admire our entrepreneurs. They know that their growth is going to be contingent on working with us. They care about the security environment that we've maintained -- helped maintain, and the freedom of navigation and commerce that is so important to them. So it's not as if they've got other places to go. They want us to be there and they want to work with us.

But in each of these big meetings that we have around the world, a lot of business gets done. And in the same way that a CEO of a company, if they want to close a deal, aren't going to do it by phone, they want to show up and look at somebody eye-to-eye and tell them why it's important and shake hands on a deal -- the same thing is true with respect to world leaders.

And the irony is our teams probably do more to organize a lot of these multilateral forums and set the agenda than anybody. I mean, we end up being engaged much more than China, for example, in setting the agenda and moving this stuff forward. And so when -- it's almost like me not showing up to my own party. I think it creates a sense of concern on the part of other leaders. But as long as we get through this, they'll understand it and we'll be able to, I believe, still get these deals done.

The last point I'd make, though, is we can't do it every three months. Right? Back in the '90s, we had a government shutdown. That happened one time, and then after that, the Republican Party and Mr. Gingrich realized this isn't a sensible way to do business, that we shouldn't engage in brinkmanship like this, and then they started having a serious conversation with President Clinton about a whole range of issues. And they got some things that they wanted. They had to give the Democrats some things that the Democrats wanted. But it took on a sense of normal Democratic process.

So here we already went through this once back in 2011. And then, at the end of last year, right after my election, we went through something similar with the so-called fiscal cliff, where Republicans wouldn't negotiate about taxes, despite the fact that taxes actually went up anyway, even though they refused to negotiate. And they could actually have gotten some things from us that they wanted if they had been willing to engage in normal negotiations.

So we've got to stop repeating this pattern. I know the American people are tired of it. And to all the American people, I apologize that you have to go through this stuff every three months, it seems like. And lord knows I'm tired of it. But at some point, we've got to kind of break these habits, and get back to the point where everybody understands that in negotiations there is give and there is take, and you do not hold people hostage or engage in ransom-taking to get 100 percent of your way.

And you don't suggest that somehow a health care bill that you don't agree with is destroying the Republic, or is a grand Socialist scheme. If you disagree with certain aspects of it, tell us what you disagree with and let's work on it. If you're concerned about long-term debt, that's a good thing to be concerned about, but don't pretend as if America is going bankrupt at a time when the deficits have been cut in half.

That's what the American people, I think, expect, is just civility, common sense, give-and-take, compromise. Those aren't dirty words. There's nothing wrong with them. And I think the American people understand I may -- not "I may" -- I have flaws. Michelle will tell you. One of them is not that I'm unwilling to compromise. I've been willing to compromise my entire political career. And I don't believe that I have the answers to everything and it's my way or the highway. But I'm not going to breach a basic principle that would weaken the presidency, change our democracy, and do great damage to ordinary people, just in order to go along with what the House Republicans are talking about.

Q Sir, just one follow-up -- I did ask specifically about China, and I'm wondering whether to what extent is our loss their gain.

THE PRESIDENT: I'm sure the Chinese don't mind that I'm not there right now in the sense that there are areas where we have differences and they can present their point of view and not get as much pushback as if I were there -- although Secretary of State Kerry is there, and I'm sure he's doing a great job.

But I've also said that our cooperation with China is not a

zero-sum game. There are a lot of areas where the Chinese and us agree. On trade, in particular, though, here is an area where part of what we're trying to do is raise standards for, for example, intellectual property protection, which sometimes is a big problem in China. And if we can get a trade deal with all the other countries in Asia that says you've got to protect people's intellectual property that will help us in our negotiations with China.

Richard McGregor.

Q Up here.

THE PRESIDENT: There you go, Richard.

Q Could I go back to the issue of debt privatization?

THE PRESIDENT: Yes.

Q What are your legal liabilities -- what is your legal advice? That foreign creditors must be paid first, particularly as it's a sovereign credit issue --

THE PRESIDENT: Richard, you know what I'm going to do is I'm going to let Jack Lew, the Secretary of the Treasury, make a formal presentation on Thursday before the Senate committee, because this is obviously sensitive enough and I think people would be paying close enough attention that details count. And I think prepared remarks from Secretary Lew on that topic would probably be more appropriate.

But as I indicated before, we plan for every contingency. So obviously, worst-case scenario, there are things that we will try to do. But I will repeat: I don't think any option is good.

Steven Dennis.

Q Mr. President, I'm wondering if you could talk a little bit about budget process. In the past, you've negotiated along with the debt ceiling with the Blue Dogs, for instance, in 2009, 2010 -- along with a debt ceiling increase then. Pay-as-you-go reform, you named a fiscal commission. The Republicans today are talking about maybe another committee that would work out our differences over the next few weeks. Is that something that you could talk about on the side, something that wouldn't necessarily be a concession, but something that would be a format for getting a deal done?

THE PRESIDENT: Here's the thing, Steven. I know that Speaker Boehner has talked about setting up some new process or some new super committee, or what have you. The leaders up in Congress, they can work through whatever processes they want. But the bottom line

is either you're having good-faith negotiations in which there's give-and-take, or you're not.

Now, there is already a process in place called the Budget Committees that could come together right now -- Democrats have been asking for 19 months to bring them together -- make a determination how much should the government be spending next year. The Appropriations Committees could go through the list, and here's how much we're going to be spending for defense and here's how much we're going to be spending for education. And that's a process that's worked reasonably well for the last 50 years. I don't know that we need to set up a new committee for a process like that to move forward.

What has changed, or what seems to be motivating the idea we have to have a new process is Speaker Boehner, or at least some faction of the Republicans in the House and maybe some in the Senate, are holding out for a negotiation in theory, but in fact, basically, Democrats give a lot of concessions to Republicans, Republicans don't give anything, and then that's dubbed as compromise. And the reason that Democrats have to give is because they're worried that the government is going to stay shut down or the U.S. government is going to default.

And again, you can dress it up any way you want. If that's the theory that the Republicans are going forward with, then it's not going to work.

So let me just give you one specific example. I've heard at least -- and I can't confirm this -- that one of the ideas of this new committee is you could talk about reductions in discretionary spending; you could talk about entitlement reform and reductions in mandatory spending; you could talk about how long you'd extend the debt ceiling; but you couldn't talk about closing corporate loopholes that aren't benefitting ordinary folks economically, and potentially, if you closed them, would allow us to pay for things like better education for kids.

Well, I don't know why Democrats right now would agree to a format that takes off the table all the things they care about, and is confined to the things that the Republicans care about.

So, again, I don't know that that's exactly what's being proposed. My simple point is this: I think Democrats in the Senate and the House are prepared to talk about anything. I'm prepared to talk about anything. They can design whatever formats they want. What is not fair and will not result in an actual deal is ransom-taking, or hostage-taking, and the expectation that Democrats are paying ransom or providing concessions for the mere act of reopening

the government or paying our bills. Those are not things that you do for me, and they're not things that you do for the Democrats.

Q But is there room here where it's not necessarily a concession; where it is you would negotiate what the negotiations are going to look like? You don't have to agree to overturn Obamacare, but you can actually negotiate what the talks are going to look like so everybody is comfortable. And you know, you've mentioned yourself, this is a tough vote for all these House Republicans. You're asking them to take a very tough vote for the debt ceiling. Usually, people in both parties want to have some cover, something that they can point to and say, hey, I want some budget process reform --

THE PRESIDENT: Which is fine --

Q -- before I approve another trillion dollars in debt.

THE PRESIDENT: Which is fine. And so if they want to do that, reopen the government, extend the debt ceiling. If they can't do it for a long time, do it for the period of time in which these negotiations are taking place. Why is it that we've got hundreds of thousands of people who aren't working right now in order for what you just described to occur? That doesn't make any sense.

The Small Business Administration gives out a billion dollars' worth of loans every month to small businesses all across the country. That's not happening right now. So there are small businesses in every state that are counting on a loan to get their business going, and you've got the party of small business saying, the Small Business Administration can't do it -- that's what they call themselves. And yet, they're suffering.

You've got farmers who are waiting for loans right now. Those loans cannot be processed. The Republican Party says they're the party that looks out for farmers. I happen to disagree; I think farmers have done real good under my administration, but having said that, why would you keep the government shut down and those farmers not getting their loans while we're having the discussions that you just talked about?

The Republicans say they're very concerned about drilling. They say, Obama has been restricting oil production, despite the fact that oil production is at its highest levels that it's been in years and is continuing to zoom up. But they say the Democrats are holding back oil production in this country. Well, one of the things that happens when the government shut down is new drilling permits aren't processed. So why would the Republicans say to the folks who are interested in drilling for oil, sorry, we can't let those things be

processed until we have some negotiations and we have some cover to do what we're supposed to be doing anyway? That doesn't make sense.

If there's a way to solve this, it has to include reopening the government, and saying America is not going to default, it's going to pay our bills. They can attach some process to that that gives them some certainty that, in fact, the things they're concerned about will be topics of negotiation, if my word is not good enough -- but I've told them I'm happy to talk about it. But if they want to specify all the items that they think need to be a topic of conversation, happy to do it.

If they want to say part of that process is we're going to go through line-by-line all the aspects of the President's health care plan that we don't like and we want the President to answer for those things, I'm happy to sit down with them for as many hours as they want. I won't let them gut a law that is going to make sure tens of millions of people actually get health care, but I'm happy to talk about it.

Q Mr. President, can I ask you a question about --

THE PRESIDENT: Stephen Collinson.

Q Thank you, Mr. President.

THE PRESIDENT: I'm just going through my list, guys. Talk to Jay. (Laughter.)

Q The operations in Africa this weekend suggest that the continent is now the central front in the campaign against terrorism, and if we're going to see U.S. military operations all around the continent, how does that square with your contention that American cannot be at war forever?

THE PRESIDENT: Well, if you look at the speech I gave at the National Defense College several months ago, I outlined how I saw the shift in terrorism around the world and what we have to do to respond to it. And part of what I said is, is that we had decimated core al Qaeda that had been operating primarily between Afghanistan and Pakistan, but you now had these regional groups, some of which are explicitly tied to al Qaeda or that ideology, some of which are more localized. Few of them have the ability to project beyond their borders, but they can do a lot of damage inside their borders.

And Africa is one of the places where, because, in some cases, a lack of capacity on the part of the governments, in some cases because it is easier for folks to hide out in vast terrains that are sparsely populated, that you're seeing some of these groups gather.

And we're going to have to continue to go after them.

But there's a difference between us going after terrorists who are plotting directly to do damage to the United States, and us being involved in wars. The risks of terrorism and terrorist networks are going to continue for some time to come. We've got to have a long-term plan that is not just military-based; we've got to engage in a war of ideas in the region, and engage with Muslim countries and try to isolate radical elements that are doing more damage to Muslims than they're doing to anybody else. We've got to think about economic development, because although there's not a direct correlation between terrorism and the economy, there's no doubt that if you've got a lot of unemployed, uneducated young men in societies that there's a greater likelihood that terrorist recruits are available.

But where you've got active plots and active networks, we're going to go after them. We prefer partnering with countries where this is taking place wherever we can, and we want to build up their capacity. But we're not going to farm out our defense.

And I have to say, by the way, the operations that took place both in Libya and Somalia were examples of the extraordinary skill and dedication and talent of our men and women in the armed forces. They do their jobs extremely well, with great precision, at great risk to themselves. And I think they are pretty good examples for how those of us here in Washington should operate as well.

Q Mr. President, did the capture of Mr. Libi comply with international law?

THE PRESIDENT: We know that Mr. al-Libi planned and helped to execute plots that killed hundreds of people, a whole lot of Americans. And we have strong evidence of that. And he will be brought to justice.

Mark Knoller.

Q Mr. President, while you're waiting for the shutdown to end, why is it that you can't go along with any of the bills the House is passing funding the FDA and FEMA -- where you were yesterday -- and veterans' benefits and Head Start? You've got to be tempted to sign those bills and get funding to those programs that you support.

THE PRESIDENT: Of course, I'm tempted, because you'd like to think that you could solve at least some of the problem if you couldn't solve all of it. But here's the problem. What you've seen are bills that come up where wherever Republicans are feeling political pressure they put a bill forward. And if there's no

political heat, if there's no television story on it, then nothing happens. And if we do some sort of shotgun approach like that, then you'll have some programs that are highly visible get funded and reopened -- like national monuments -- but things that don't get a lot of attention -- like those SBA loans -- not being funded.

And we don't get to select which programs we implement or not. There are a whole bunch of things that the Republicans have said are law that we have to do. And I don't get a chance to go back and say, you know what, this cockamamie idea that this Republican congressman came up with I really don't like, so let's not implement that. Once you have a budget and a government with a set of functions, you make sure that it's all operating. We don't get to pick and choose based on which party likes what.

So that's where the budget discussions take place. Now, if there are some things that the Republicans don't like, they should argue for eliminating those programs in the budget, come up with an agreement with the Democrats. Maybe the Democrats will agree and those things won't be funded. But you don't do a piecemeal approach like that when you're dealing with a government shutdown. Okay?

Q Mr. President, would you be willing --

THE PRESIDENT: I'm going to take one more question. And right here, you've been -- your hand persistence has worked. (Laughter.)

Q Persistence pays off, yes. Mr. President, you've talked about the political dynamics that leave House Republicans feeling that they don't want to negotiate with you, they don't want to come together. I wanted to ask you two things about that. Looking back at the 2011 default discussions and the budget drama, is there anything that you wish that you had done differently in 2011? And after this, what you call this nonsense has ended, what do you expect the political dynamics might -- how will they have changed to move forward?

THE PRESIDENT: Well, I think it's an interesting question. In 2011, I entered into good-faith negotiations with John Boehner. He had just won the speakership. It was at a time when, because we were still responding to the recession, deficits were high, people were concerned about it, and I thought it was my obligation to meet him halfway. And so we had a whole series of talks. And at that point at least, nobody had any belief that people would come close to potential default.

I don't regret having entered into those negotiations, and we came fairly close. And whenever I see John Boehner to this day, I still say, you should have taken the deal that I offered you back

then, which would have dealt with our long-term deficit problems, would not have impeded growth as much, would have really boosted confidence. But at that time, I think House Republicans had just taken over. They were feeling their oats and thinking, we don't have to compromise. And we came pretty close to default, and we saw the impact of that.

I would have thought that they would have learned the lesson from that, as I did, which is we can't put the American people and our economy through that ringer again. So that's the reason why I've been very clear, we're not going to negotiate around the debt ceiling. That has to be dealt with in a reasonable fashion.

And by the way, I often hear people say, well, in the past it has been dealt with all the time. The truth of the matter is if you look at the history, people posture about the debt ceiling frequently, but the way the debt ceiling often got passed was you'd stick the debt ceiling onto a budget negotiation once it was completed -- because people figured, well, I don't want to take a bunch of tough votes to cut programs or raise taxes and then also have to take a debt ceiling vote, let me do it all at once.

But it wasn't a situation in which, what if I don't get what I want, then I'm going to let us default. That's what's changed. And that's what we learned in 2011. And so, as a consequence, I said we're not going to do that again -- not just for me, but because future Presidents, Republican or Democrat, should not be in a position where they have to choose between making sure the economy stays afloat and we avoid worldwide catastrophe, or we provide concessions to one faction of one party in one House.

But let me tell you a lesson I did not learn. I did not learn a lesson that we shouldn't compromise. I still think we should. I still think there are all kinds of issues that we should be talking about, and I don't expect to get 100 percent of my way. And I'm still very open to having conversations with not just the Speaker but any Republican over there. Go ahead.

Q Just to clarify this -- if you enter into a series of short-term funding bills or a debt ceiling bill, you will be back in the same place, presumably, with these, the same members of Congress. So what has changed in the political dynamic if you do the short-term --

THE PRESIDENT: Well, I think what has changed is they're aware of the fact that I'm not budging when it comes to the full faith and credit of the United States -- that that has to be dealt with; that you don't pay a ransom; you don't provide concessions for Congress doing its job and America paying its bills.

And I think most people understand that. I was at a small business the other day and talking to a bunch of workers, and I said, when you're at the plant and you're in the middle of your job, do you ever say to your boss, you know what, unless I get a raise right now and more vacation pay, I'm going to just shut down the plant -- I'm not just going to walk off the job, I'm going to break the equipment? I said, how do you think that would go? They all thought they'd be fired.

And I think most of us think that. There's nothing wrong with asking for a raise or asking for more time off, but you can't burn down the plant or your office if you don't get your way. Well, the same thing is true here. And I think most Americans understand that.

Thank you very much, everybody.

END

3:21 P.M. EDT