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February 2013 McCain Interview



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Rep. Nancy Pelosi, Sen. John McCain on avoiding automatic spending cuts

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Special Guests: Rep. Nancy Pelosi, Sen. John McCain

The following is a rush transcript of the February 10, 2013, edition of "Fox News Sunday With Chris Wallace." This copy may not be in its final form and may be updated.

CHRIS WALLACE, HOST: I'm Chris Wallace.

What is the state of our union, foreign and domestic?

(BEGIN VIDEOTAPE)

WALLACE: As President Obama prepares to address the nation Tuesday, he faces a buzz saw of issues -- automatic spending cuts, gun control, immigration reform, and the resurgent Al Qaeda. We'll talk about all of this, with two of Washington's heavy hitters: House Democratic Leader Nancy Pelosi and Senator John McCain.

Pelosi and McCain, only on "Fox News Sunday."

Then, senators grill the president's nominee for CIA director over the targeted killing of terror suspects. We'll ask our Sunday panel about new demands to lift the veil on drone strikes.

And, our Power Player of the Week can tell you almost everything the president does, and how often he does it.

All, right now, on "Fox News Sunday."

(END VIDEOTAPE)

WALLACE: And, hello again, from Fox News in Washington.

When President Obama delivers his State of the Union speech Tuesday, one big issue will be sequestration -- \$85 billion in automatic spending cuts due to kick in March 1st.

The White House now warns this will mean damaging layoffs of teachers, law enforcement and food safety inspectors. And, the Pentagon will be hit, too. They propose a mix of spending cuts and, yes, more taxes, through limiting deductions, for the wealthy.

I sat down late Friday with House Democratic Leader Nancy Pelosi and asked her about the fast-approaching deadline.

(BEGIN VIDEOTAPE)

WALLACE: Congressman Pelosi, welcome back to "Fox News Sunday."

HOUSE DEMOCRATIC LEADER NANCY PELOSI, D-CALIF.: Welcome to the Capitol.

WALLACE: The White House says, sequestration will have a severe effect on many Americans. House Republicans agree. But they say the answer is to find other spending cuts, not tax hikes.

PELOSI: Well, I think that the sequestration is a bad idea, all around. It is something that is out of the question. The fact is, we have had plenty of spending cuts, \$1.6 trillion in the Budget Control Act.

What we need is growth. We need growth with jobs. And if you have spending cuts, education of our children, other investments, on the National Institutes of Health, where you are hindering growth, you're no going to reduce the deficit.

So, what we do need is more revenue, and more cuts, but I would like to see that a big, balanced, bold proposal. Short of that, we should -- we must do something to avoid the sequester.

WALLACE: But here's what House Speaker Boehner said this week.

(BEGIN VIDEO CLIP)

SPEAKER OF THE HOUSE JOHN BOEHNER, R-OHIO: At some point, Washington has to deal with its spending problem. I watched them kick the can down though road for 22 years I have been here and I have had enough of it. It's time to act.

(END VIDEO CLIP)

WALLACE: Congresswoman, let's look at this numbers. Are you really saying that in a government that spends \$3.5 trillion a year, that increased federal discretionary spending by 14 percent, over the last four years, you can't find \$85 billion to cut, to avoid the sequester?

PELOSI: Well, we have cut in terms of agriculture subsidies, there are tense of billions of dollars in cuts there and that should be balanced with eliminating subsidy for big oil. Why should we do -- why should we lower Pell Grants instead of eliminating the subsidies for big oil?

WALLACE: Why not just cut spending? Eighty-five billion dollars in a \$3.5 trillion government.

PELOSI: Let's back up from -- with all due respect to the speaker, what he said is not the gospel truth. The fact is that a lot of the spending increases came during the Bush administration. Two unpaid for wars we got ourselves engaged in. A prescription drug plan that added enormous amounts to our spending, and the tax cuts at the high end that did not create jobs and create revenue coming. So that's --

(CROSSTALK)

WALLACE: But the total debt has increased \$5 trillion since this president came in.

PELOSI: Well, part of that is from the -- what we had to do to avoid going over the cliff of the recession -- depression. Yes, we had the Recovery Act which saves or created 3.5 million jobs. You know the record of job growth in the private sector has been consistent from many record number of months.

So, again, we have to make a judgment about what -- how do we get growth with jobs? That's where the revenue comes from. You don't get it by cutting down your (INAUDIBLE) or cutting in education, cutting back on investments in science, and National Institutes of Health, food safety, you name it.

So, it isn't as much you a spending problem as a priorities, and that is what the budget is, setting priorities.

WALLACE: But you talk about growth. Even Christina Romer, the former head of the Council of Economic Advisers for the president, says you increase taxes, that also hurts growth.

PELOSI: Well, it's about timing. It's about timing. And it's about timing as to when make cuts, as well. We --

WALLACE: But you -- the fiscal cliff, you raised taxes \$650 billion, right away.

PELOSI: Yes, and that was a very good thing to do on people making over -- the high end in our population.

So, here's the thing, though -- we are here to have a budget that has revenue coming in, that has investments made, into the future. We also want to make decisions in those two areas where growth with jobs are created, because more jobs, more revenue coming in. Nothing brings more money to the Treasury of the United States, than investment in education of the American people.

So, we need to recognize that, which cuts really help us and which cuts really hurt our future. And, cuts in education, scientific research and the rest are harmful, and they are what are affected by the sequestration.

So, it is almost a false wrong to say we have a spending problem. We have a deficit problem that we have to address. Right now, we have low interest on the national debt and it's a good time for us to act to lower the deficit.

We think the deficit and the national debt are at immoral levels. We think they must be reduced. We're sick and tired of paying interest on the national debt. And that 15 percent, that's a large percentage of the budget, the interest on the national debt. It's lower now because of the lower interest rates.

WALLACE: But again, all I would say is: we've got a \$3.5 trillion budget and they are talking about \$85 billion in cuts.

Let me -- let's go to the taxes, though --

PELOSI: OK. But we agreed in spending -- we agreed to \$1.6 trillion in spending, in discretionary, domestic spending.

WALLACE: But the sequestration is just spending cuts.

PELOSI: Right. Secondly, we have gone to Medicare and had savings of over a trillion dollars in Medicare already. And when I say we, I mean the Democrats. And what the Republicans are proposing is to make a voucher of Medicare, no longer making it a guarantee. There are other things in this discussion that I think American people make fully aware --

WALLACE: We're going to touch on them --

PELOSI: -- understand what it means in their daily lives.

WALLACE: Let's talk about taxes. You keep talking about raising taxes and you talk about making the wealthy -- let me ask the question first.

PELOSI: Yes.

WALLACE: Let me ask the question -- you keep talking about making the wealthy pay their fair share of taxes.

PELOSI: Right.

WALLACE: The top 1 percent --

PELOSI: Right, right.

WALLACE: -- the top 1 percent pay 37 percent of all federal income taxes. The top 5 percent pay 59 percent of all federal taxes. If you took the total income of everyone making more than \$1 million a year, if you taxed it all, at 100 percent, that's only \$726 billion, which is less than the projected deficit for the year.

I mean, the bottom line, Congresswoman, is you can't raise taxes enough to solve the deficit problem.

PELOSI: Nobody is saying that. We are saying it has to be balanced. Now, on the subject of the high end, we're not talking about raising rates. We did that. We eliminated the high end tax cuts of the Bush years which only increased the deficit, and didn't create jobs.

We kept the middle income tax cuts. The -- what we have in our proposal that Congressman Van Hollen has put forth, our top Democrat on the Budget Committee, is to say we'll eliminate subsidy to big oil. And it gives us a lot of money, eliminating the subsidy for big oil.

We also have the Buffett Rule which says all of the high income people would pay a minimum of -- they would have to pay --

WALLACE: So, you're raising tax on the wealthy.

PELOSI: No, you are saying they should pay their fair share, which is 30 percent, which is even lower than 39.6, which is the rate -- the bracket they are in.

WALLACE: But you are saying that if they have a deduction from a home mortgage --

PELOSI: They take advantage of so many loopholes.

WALLACE: Well, deductions that are on the books. But the point is --

PELOSI: Thirty percent.

WALLACE: The point is, that you can't raise enough money. I mean, the main driver of the debt is entitlements. Sixty percent of our budget, our spending, is on entitlements.

When Medicare started life expectancy was 70. It's now 79. Don't you have to raise the eligibility age and slow the growth of benefits? Isn't that the way to deal with the deficit?

PELOSI: OK. I'm glad you brought up Medicare because don't you think you should -- to use your question -- don't you think you ought to see if raising the age really does save money?

Those people are not going to evaporate from the face of the Earth for two years. They're going to have medical need and they're going to have to be attended to. And the earlier intervention for it, the less the cost will be and the better the quality of life.

I do think we should subject every federal dollar that is spent to the harshest scrutiny. And I do think the challenge with Medicare is not Medicare, the challenge is rising medical health care costs in general and prescription drugs and the rest of that, that driver those costs. So, that's what we have to address, which we did in the Affordable Care Act and we are about to see some reports from the Institute of Medicine, about how we reduce the cost of health care, in Medicare, because we are paying for quality, not quantity of procedures, but quality of performance.

And I think that there is money to be saved there. And I don't think it has to come out of benefits, or beneficiaries, and I don't think you have to raise the age.

WALLACE: Gun control will be a big part of the president's agenda in the State of the Union address Tuesday night. But I want to ask you about another part of the effort to stop these horrible, repeated acts of mass violence. As part of your plan, you call for more scientific research on the connection between popular culture and violence.

We don't need another study, respectfully. I mean, we know that these video games, where people have their heads splattered, these movies, these TV shows, why don't you go to your friends in Hollywood and challenge them, shame them, and say, "Knock it off"?

PELOSI: Well, I do think, whatever we do, because when you talk about evidence-based, we have that throughout our proposal. In other words, we don't want to just anecdotally writing bills. We want to have the evidence to say --

WALLACE: Well, I'm not sure you want to write bills anyway. But don't you -- I mean, what would -- you have a lot of friends in Hollywood. Why don't you go to them and publicly say I think challenge you to stop the video games?

PELOSI: I do think -- see, I understand what you're saying. I'm a mother, I'm a grandmother. But, they tell -- not they, not Hollywood, but the evidence says that, in Japan, for example, they have the most violent games and the rest, and the lowest -- death, mortality from guns. I don't know what the explanation is for that except they may have good gun laws.

But I think you took one piece of it. We are talking about -- we are talking about stop -- no further sales of assault weapons. What is the justification for an assault weapon? You know, no further sales of those.

No further sales of the increased capacity, 30 rounds in a gun. We are talking about background checks which is very popular, even among gun owners, and, hunters. We avow the First Amendment, we stand with that, and say that people have a right to have a gun to protect themselves in their homes and their jobs, whatever. And that they -- and their workplace -- and that they, for recreation and hunting and the rest.

But we are in the questioning their right to do that --

WALLACE: I guess the question is -- I think a lot of people say, here it is, liberals like Nancy Pelosi want to go after gun owners. But, when it comes to mental health laws, when it comes to their liberal friends in Hollywood, they don't want to make them ante up.

PELOSI: Well, mental health laws, I have to tell you, when I was speaker and we couldn't get a hearing on this before that we passed the mental health parity act and, in the Affordable Care Act we took it to the next step and in another year you -- we'll have many more services available, because of mental health parity.

We certainly have to do more. And, I salute the -- applaud all of those who are saying we have to do more in mental health. But we have to do it, I think, we have to do it all and that is why we said -- we included in there we have to look at what these games are.

I don't think we should do anything anecdotally. We have a saying here -- the plural of anecdote is not data. And so, we want to know what is the evidence, what would really make a difference here. And I think it has to be comprehensive.

WALLACE: Finally, President Obama predicted this week that you will once again be speaker -- his words -- pretty soon.

What do you think of the chances of you regaining the majority in the House and you, once again being Speaker Pelosi after the 2014 midterms?

PELOSI: Well -- that's nice he said that. But the fact is, what is important, the Democrats regain the majority in the House. Between now and then, we have a lot of work to do.

We want to pass comprehensive immigration reform. We want to pass, keep our kid safe and pass some initiatives that relate to gun violence, prevention. We want to create jobs and have initiatives for growth with jobs.

We want to make our country more democratic in terms of how elections are conducted, reducing the role of money, increasing the level of civility so that more women and young people participate. It's about confidence -- confidence in our democracy, confidence in our children's safety, confidence in our economy, confidence as to who we are as a people.

So, we have plenty to do before then. But what the president said was complimentary, but as far as I'm concerned, it's about the issues and the issues are better served by a Democratic majority in my view, and that's what I'm hoping that we will achieve in 2014.

But as I say, that -- we have a lot of work to do, hopefully in a bipartisan way, between now and then. And I think that in the issues that I named, we could get bipartisan collaboration.

WALLACE: Congresswoman Pelosi, thank you.

PELOSI: Lovely to see you.

WALLACE: Always a pleasure to talk to you.

PELOSI: My pleasure. Thank you.

(END VIDEOTAPE)

WALLACE: Up next, Senator John McCain gives us his take on spending cuts, drone strikes and more.

(COMMERCIAL BREAK)

WALLACE: And we're back now with Senator John McCain.

Senator, welcome.

SEN. JOHN MCCAIN, R-ARIZ.: Thank you, Chris.

WALLACE: You just heard Nancy Pelosi talk about these automatic spending cuts, that kick in on March 1st. She wants a mix of cuts and, yes, more taxes, which I know you don't like. On the other hand, if you go to the automatic cuts, sequestration, you get a 13 percent cut over the rest of the year in the Pentagon, which I know you also don't like.

If it comes down to that, higher taxes, or sequestration, the Pentagon cuts, where do you go? Where do you come down?

MCCAIN: Well, obviously, I don't want to see tax increased. But what I would like to see is the president call the leaders over to the White House and say, look, we've got to solve this problem. The sequestration -- Secretary Panetta, outgoing secretary of defense, is one of the most widely respected men or person in Washington, D.C., and he has been saying it will devastate our national security. We are -- Republicans and Democrats are responsible for this new cliff and I'll take responsibility for it for the Republicans.

But we've got to avoid it. We've got to stop it. Our nation's security is --

WALLACE: The president says -- OK, the price of that is more taxes.

MCCAIN: The president is the same person who during the campaign said, "It's not going to happen." Remember that? He just dismissed it.

And a lot of us, Lindsey Graham and Kelly Ayotte and I were traveling around the country warning about what was going to happen as a result of sequestration. And it is devastating.

And the world is very dangerous -- I'm sorry I'm a little emotional about this, but the men and women serving in the military deserve better than what they're giving -- what we're giving them. They don't know what they're going to be doing tomorrow. We just delayed the deployment of an aircraft carrier. The cuts are coming across the board.

The consequences are severe. It requires bipartisanship. Will I look at revenue closers? Maybe so. But we've already just raised taxes. Why do we have to raise taxes again?

WALLACE: In his State of the Union speech, aides say that the president is going to call for new investment/spending on education, and energy and infrastructure and manufacturing to try to boost the economy and to boost the middle class.

Will you go along with that?

MCCAIN: As long as we pay for it. We've seen this movie before. We saw it with the so-called stimulus package, back in the beginning of the administration. And, we saw the longest, most stagnant economy in history and now a debt and deficit, that's \$51,000 for every man, woman and child in America.

The size of the government has grown exponentially. We are -- for example, on sequestration, we have a proposal, for every three federal retiree, we hire only one. That would take care of the sequestration problem and there are simple answers to many of these problems that we can address the problem without raising people's taxes.

But, first, we ought to sit down across the table. The president should with us and work it out. All he does is go out and make speeches.

WALLACE: The president's nominee for CIA director, John Brennan, testified in his confirmation hearing this week, faced tough questioning, especially about the administration's targeted killing program for terror suspects, even American citizens.

What do you think of this idea which is gaining some currency on Capitol Hill of what's been called a drone court? Where before the president puts a targeted terrorist and, especially an American citizen, on a "kill list", they have to get approval from a judge?

MCCAIN: I don't agree with it, because I think it is an encroachment on the powers of the president of the United States. But what we need to do is take the whole program out of the hand of the Central Intelligence Agency and put it into the Department of Defense, where you have adequate oversight, you have committee oversights, you have all the things that are built in, as our oversight of the Department of Defense.

Since when is the intelligence agency supposed to be an air force of drones that goes around killing people? I believe that it's a job for the Department of Defense.

WALLACE: But no drone court?

MCCAIN: No. I don't -- there has to be a legitimate oversight by the Congress, and as open a process as possible. And we are in a strange conundrum. You can kill an American citizen overseas. But according to this administration, if you capture him in the United States, they've got to be read their Miranda rights. What's wrong with that picture?

WALLACE: In another hearing this week, you -- I must say you have been making more news as a questioner than I have -- got a surprising admission from both CIA -- rather, Defense Secretary Panetta and the chairman of the Joint Chiefs, General Martin Dempsey. They revealed that along with Secretary Clinton and then-CIA Director Petraeus --

MCCAIN: And now, Director of National Intelligence Clapper.

WALLACE: Right, added to it. That they all, last summer, last fall, supported the idea of arming the rebels in Syria, but, that the president overruled his entire national security team. What do you make of that, and from what we hear from his aide, his continued refusal to intervene in the civil war in Syria?

MCCAIN: I think, they are writing one of the more shameful chapters in American history, 60,000 people have been massacred. I've been to the refugee camps and met these people who -- the atrocious treatment that's going on. It's disgraceful and, by the way, there is a national security component, it would be the greatest blow to Iran, in the last 25 years, if Bashar al-Assad fell, not to mention Hezbollah.

So, it's incomprehensible. And the president of the United States, to say that -- because people are dying in the Congo is a reason not to act in Syria -- it shows to me a lack of experience and knowledge, which is very dangerous to America's national security interests.

And, again, it's shameful that we have let over 60,000 people be massacred and we won't even give them arms, while the Iranians, the Iranian Revolutionary Guard on the ground and Russian continue to supply weapons.

WALLACE: Then there is the president's nominee to be the new defense secretary, former Senator Chuck Hagel. At his confirmation hearing, I think it's fair to say you gave him a real going-over about his opposition to the Iraq troop surge in 2007. Let's take a look at that.

(BEGIN VIDEO CLIP)

MCCAIN: Were you correct or incorrect?

CHUCK HAGEL, DEFENSE SECRETARY NOMINEE: My re --

MCCAIN: Yes or no?

HAGEL: My reference to the surge being dangerous --

MCCAIN: Answer the question, Senator Hagel. The question is -- were you right or wrong?

(END VIDEO CLIP)

WALLACE: I've got a question for you -- how are you going to vote on the Hagel nomination?

MCCAIN: We've still got some more information.

But, again, that wasn't an academic discussion I was having with Senator Hagel. We were losing the war in 2006. And, when the president came around, Bush, who I had been very critical of, came around and sent David Petraeus and the surge, we succeeded in Iraq.

Now, because of the Obama administration's action afterwards we were losing, and it was very badly unraveling. But the fact is, that if we hadn't done that, more American lives would have been lost unnecessarily.

So, for then-Senator Hagel to say, well, he'll let history be the judge, he was there and involved. And I'm sure he is wrong and he knows he's wrong on the basis of the facts of what happened.

WALLACE: So I've got to press it again, because you saw the hearing, you know his record. Are you going to support him for defense secretary?

MCCAIN: I will see the rest of the answers to his question, but, certainly, I have very grave concerns.

WALLACE: Grave concerns?

MCCAIN: Yes.

WALLACE: So, is it fair to say you are leaning against voting for him.

MCCAIN: I think that would be fair.

WALLACE: How do you feel about other Republican senators who are suggesting some procedural move to block the nomination?

MCCAIN: I think we need all the information from Senator Hagel. But the fact is we have never filibustered a cabinet appointee, and that -- I do not believe we should filibuster his nomination.

WALLACE: Or a hold or one of those other --

MCCAIN: I think we need some more information on questions that he hasn't answered. But -- and I hope those question get answered but I don't -- we've never filibustered a presidential cabinet appointee and I don't think we should start here.

WALLACE: Finally --

MCCAIN: Elections have consequences, unfortunately.

(LAUGHTER)

WALLACE: You know.

MCCAIN: There you go.

WALLACE: Finally, immigration. You are part of a bipartisan group of senators, eight -- four Republicans, four Democrats -- who have come up not with legislation but the outlines of a plan for immigration reform. The president wants to put the 11 million illegals who are here now on the path to citizenship, and Secretary of Homeland Security Napolitano said this week that she believes the border is -- her word -- the border is secure.

You, on the other hand, your group are talking about linking the path to citizenship to a number of measures to further enforce the border.

Question: will you insist in any immigration package on border enforcement first?

MCCAIN: Yes, I will. And that is basically the agreement. There are 11 million people living in the shadows. I believe they deserve to come out of the shadows. The children who are brought here when they were children, they deserve that kind of consideration as well.

But we do need to have a secure border. We can do it with surveillance capabilities and other capabilities. And I believe we can achieve that. But that's our commitment and I owe it to people who live in the southern part of my state where drug smugglers are coming across their property every single night.

WALLACE: Let me ask you about the flipside of that, though.

MCCAIN: Yes.

WALLACE: Because under your plan, although they wouldn't get the path to citizenship until you got those border enforcement certification, they would almost immediately get what's called probationary legal status, which basically means they could continue to live in this country legally.

Some of your critics on the right are saying that's amnesty.

MCCAIN: Well, I don't think it is amnesty to start with. Second of all, what do you want to do with them? That is the question in response.

And third of all, it's a tough path to citizenship. You've got to pay back taxes. You've got to learn English. You've got to have a clear record. You've got to get to the back of the line behind other people who have come here legally or even waiting legally.

So, I just reject that. But I understand how emotional this issue is, with many of my friends on both left and right. But I think we are making progress, and, we have not come to final agreement on many of the details, some of which you just asked me about.

WALLACE: Senator McCain, thank you. Thanks for coming in today. Somehow, you always find yourself at the center of the action.

MCCAIN: Thank you, my friend.

WALLACE: Up next, the president's big State of the Union speech. We'll ask our panel about Mr. Obama's ambitious second term agenda, and whether Congress will pass it.

(COMMERCIAL BREAK)

(BEGIN VIDEO CLIP)

PRESIDENT BARACK OBAMA: The current Republican plan puts the burden of avoiding those cuts mainly on seniors and middle-class families. They would rather ask more from the vast majority of Americans and put our recovery at risk than close even a single tax loophole that benefits the wealthy.

(END VIDEO CLIP)

WALLACE: President Obama, previewing his State of the Union address Tuesday as he criticized the Republican alternative to the automatic spending cuts that kick in March 1st. And, it is time now for our Sunday group. Bill Kristol of the Weekly Standard. Liz Marlantes from the Christian Science Monitor. Republican Congressman Tom Cotton of Arkansas, and Fox News political analyst Juan Williams.

We have heard from Senator McCain and Congresswoman Pelosi, in the first half, about how they think that the sequestration should be resolved.

Bill, a number of congressional Republicans say if there is no compromise, and one of the big issues is going to be the Democratic demand for more taxes, that we should just live with the \$85 billion in automatic spending cuts that kick in March 1st. You disagree with that?

BILL KRISTOL, THE WEEKLY STANDARD: Yes, I think the sequester is terrible public policy, and, as Charles Krauthammer said in his column Friday -- Charles then has a complicated argument for why, but on the other hand, Republicans should tactically and politically embrace the sequester, because it gives them leverage over President Obama, but I think it is too dangerous. It would do too much damage to our national defense. Republicans -- the president should put responsible and put forward a serious plan to deal with it. Republicans also should put forward a serious plan to deal with it. They passed good legislation in the House last year. They should pass it again this year, and put the burden on the president and the Democrats to say, well, what would you do about the sequester? But you really can't just sit back and say, well, the president's proposal from two years ago, we wash our hand of it and we're just going to let our national defenses be gutted.

WALLACE: Liz, it is interesting, because with the fiscal cliff, at the start of the year, the president had all the leverage, because if Congress did nothing, then everybody got a tax increase, the rich as well as the middle class. Do Republicans have the leverage now, because if they do nothing, if Congress does nothing, then this \$85 billion in automatic spending cuts kick in?

LIZ MARLANTES, THE CHRISTIAN SCIENCE MONITOR: That is what they are saying. I'm not entirely sure that that is true, in the sense that I think that Republicans still risk being blamed more, if it goes through and things go badly, you know, if the economy takes a big hit because of it. Based on all of the polling and the way this argument has been shaped, and frankly because there is just such a disadvantage with messaging. Obama has been out there really driving this argument. I think the Republican Party would probably take the bigger hit. You know, Boehner is trying hard, he's calling it the Obamaquaster, he is trying really hard to pin this on the president, but right now, the way the politics of this stand, they may have leverage in the sense that they have an opportunity to get spending cuts, but they may take a serious political hit because of it if they go through with it.

WALLACE: Congressman Cotton, I want you to react to that, and as you saw in the clip we played from the president's weekend address, once again the president is trying to make Republicans pay the price politically. He's basically saying, these cuts are going to affect the middle class in education and law enforcement, food inspectors. And once again, you guys want to protect your wealthy friends from any tax increase.

REP. TOM COTTON, R-ARK.: Chris, the bigger risk, I think, is the way they are going to impact the Department of Defense. It's cutting almost \$10 billion or 10 percent of the Department of Defense's budget this year, and that is after four years where the Department of Defense has been the one agency of the federal government that has not had hundreds of billions of dollars stuffed into its budget. You go back and you look at domestic spending over the last four years that exploded under the stimulus and just annual resolutions funding the government, there is a lot more fat to cut there. So as Bill said, Republicans have proposed a responsible alternative to the sequester, which is what President Obama proposed in 2011, which are shift those cuts away from the Department of Defense and to domestic spending so we can ensure, for example, that we have two aircraft carriers in the Persian Gulf, which we just stopped because of the sequester spending.

WALLACE: Let me ask you the question I asked Senator McCain -- if it comes down to a choice, because you heard Nancy Pelosi, you heard the president there saying if we are going to kill the sequester, then you are going to have to have some tax increases, not through raise in rates, but through closing some of the loopholes and ending some of the deductions. Are you willing to go along with that?

COTTON: Well, I obviously disagree with Nancy Pelosi's call for more tax increases, as well as Barack Obama's. We just increased taxes by over \$600 billion last month. We can't keep increasing taxes every three months just because Barack Obama wants more welfare spending.

WALLACE: Juan?

JUAN WILLIAMS, FOX NEWS POLITICAL ANALYST: I'm a little befuddled, because I think you say there is too many cuts in defense right now, and you want to protect defense from additional cuts, and in fact defense I think is going to suffer like 8 percent of the cuts, versus 4 percent --

WALLACE: Actually, it is 13 percent, because it kicks in, in March rather than last fall.

WILLIAMS: Right, but, overall, I'm saying it's 7.9 percent for defense versus 4 percent for nondefense or domestic spending. So if that is the case, Congressman, then I think Republicans have to take a responsible posture, which is, OK, even -- you think back to Mitt Romney, who said, we can close loopholes, we can do away with some of these deductions. Nancy Pelosi talking to Chris Wallace this morning, pointed to benefits and subsidies for the oil and gas industry in this country, unnecessary farm subsidies. I think there is an overwhelming consensus on Capitol Hill that a lot of those can be done away. So why not work with the president to avoid sequestration that you say would be draconian?

KRISTOL: Why not just cancel the defense cuts? You can't pass a big tax reform -- what is so funny?

(CROSSTALK)

KRISTOL: No, it is not a matter of politics. This is going to gut our defenses. If you are a responsible president -- you don't have to save \$45 billion this year. That is 4 percent, 4 percent of the deficit. We're going to endanger our national defenses and short- change our servicemen and women, overseas, for the sake of cutting 4 percent from this year's deficit? It is totally irresponsible.

COTTON: And Bill is right that you can't have massive tax reform in just 60 days. I mean, it took Ronald Reagan and Tip O'Neill and Bill Bradley, the bipartisan bill of 1986, 20 months to do it. But, there is more than the tax (ph) pork in the fiscal cliff bill for things like NASCAR track owners and wind energy producers and Puerto Rican rum manufacturers.

KRISTOL: Here we go.

COTTON: That would more than offset the defense cuts that would be so devastating.

WILLIAMS: So make a deal, and Bill wants the president to bail out Republicans, who--

KRISTOL: I want to bail out our military.

(CROSSTALK)

KRISTOL: I want the president to bail out military. He is commander in chief. Maybe you're not aware of that.

WILLIAMS: But he wants to -- he wants a deal here. He is saying, let's have a temporary deal to avoid sequestration, and Republicans are saying, no, we have got to protect the very rich, the oil companies and gas companies, and we can't do it.

WALLACE: I'm going to call a little bit of a change here, because we are running out of time in this segment. And Congressman Cotton, I want to ask you about an interesting decision that the congressional Republican leaders made. They decide who is going to give the official Republican response. They decided it is going to Florida Senator Marco Rubio. He will be giving the official response to the president's speech on Tuesday. Does that make him the new face of the Republican Party on Capitol Hill?

COTTON: I wouldn't say that decision makes him. I think he has been an emerging leader on Capitol Hill for Republicans, and across the country for two years now. He's a generation of new leaders, not just Marco, but Paul Ryan and Scott Walker and so forth, who are emerging and who I think are going to be the leaders of our party going forward. And I think Marco in particular is a great and passionate advocate for conservative ideas of limited government, strong national defense, and individual liberty.

WALLACE: Let me just ask you, Bill, and then we've got to wrap this segment up. As somebody who wanted Marco Rubio to run last year, how big a deal is this in terms of his emergence at the top of the Republican pack?

KRISTOL: I don't know if he is right at the top, but he's certainly a leader, as Tom says, and he'll do a very good job, I'm sure, on Tuesday night, and Tom can give the response next year, and then we'll have the Rubio-Cotton ticket in 2016, you know?

WALLACE: You know, he gave me a Rubio-Ryan button in 2007--

(CROSSTALK)

WALLACE: And he also picked Sarah Palin in 2004. When this guy talks, we listen.

All right, panel, we have to take a break here, but when we come back, some members of Congress demand new checks on the president's power to launch drone strikes.

(COMMERCIAL BREAK)

(BEGIN VIDEO CLIP)

SEN. DIANNE FEINSTEIN, D-CALIF.: It was a limited, covert program. Now everybody knows about it, and I think we need to see that this program is really run according to the American Constitution.

(END VIDEO CLIP)

WALLACE: Senator Dianne Feinstein suggesting creation of a secret drone court, where the president would have to go to get approval before putting terror suspects on his kill list. And we're back now with the panel.

Congressman Cotton, for people who don't know you, you are kind of an interesting figure. You went to Harvard, you went to Harvard Law School, and then you spent five years on active duty, on the front lines, in Iraq and Afghanistan, so you have got a lot of credibility on this issue on both sides of the equation.

How do you feel about this idea? Before the president could target someone for assassination, especially an American citizen, he'd have to go get approval from a judge?

COTTON: We don't need federal judges involved in sensitive and urgent national security matters, and it would be an unconstitutional infringement on the president's rights to keep America safe. So, if you take up arms against America and you fight in a terrorist training camp or on the front lines in Pakistan or Afghanistan or Yemen, you shouldn't be surprised if America reaches out and exacts justice against you.

WALLACE: Liz, part of this debate has to do with what some people are calling alleged hypocrisy on the part of the White House. They say Senator Obama blasted George W. Bush for waterboarding and for a lack of transparency about the legal documents that authorized him to do that, and yet the fact is that President Obama had to be dragged into releasing the legal authorization for his decision to kill people.

MARLANTES: Yes, no, I think there are two kind of schools of thought in terms of the hypocrisy argument. One is that Obama himself, when he became president, you know, you see -- you get different briefings, you see a different side of the story than you did when you were a candidate. Sometimes that changes your mind or makes you realize that, OK, some of these policies might be necessary. But the larger point, I think you know, Republicans have been claiming hypocrisy against Democrats all week on this, and I think to some extent, that is true. That if this were, you know, the Bush administration still, there would be a louder hue and cry about it, but polling shows that still, the majority of Democrats are OK with this program. I mean, really, there is the left and then there is where, you know, the majority of Democratic voters are, and I think most voters, most Obama voters out there are thinking, well, if this is the kind of program that can avoid another Iraq, great. You know? I think that is fine. And, that, also, I think, gives cover to the administration's positioning on this.

WALLACE: Bill, we also got some fascinating revelations from that Senate hearing with Defense Secretary Panetta this week. We talked about what he revealed about Syria, but he said that on the night of the Benghazi attacks, September 11 of this last year, that he and General Dempsey spoke to the president once early on, and then never again. Let's take a look.

(BEGIN VIDEO CLIP)

SEN. LINDSEY GRAHAM, R-S.C.: Did the president show any curiosity about how is this going, what kind of assets do you have helping these people? Did he ever make that phone call?

DEFENSE SECRETARY LEON PANETTA: There is no question in my mind that the president of the United States was concerned about American lives.

GRAHAM: With all due respect, I don't see how that is a credible statement if he never called and asked you, are we helping these people?

(END VIDEO CLIP)

WALLACE: Given that -- and it was a series of attacks, but the overall action went on over course of seven hours in Benghazi the night of September 11, what do you make of that?

KRISTOL: I think it is genuinely shocking. The president -- Leon Panetta walked out of the Oval Office at 5:30 that night, after a previously scheduled meeting. The president never called -- he knew -- he briefed the president on what was happening in Benghazi and that the American ambassador was missing, and it was clear there could well be sustained and ongoing attacks, and the president never spoke to the secretary of defense or the chairman of the Joint Chiefs of Staff the rest of that night, and, interestingly, Secretary Panetta said he never spoke to the White House later this night. So it's not as if he spoke to the national security adviser, Tom Donilon, or the chief of staff, Jack Lew, and said, and conveyed a message to or from the president.

So basically, the president seems to have checked out. He spent an hour that evening on the phone with the Israeli prime minister, Bibi Netanyahu, because there has been that flap about Israel at the Democratic Convention the week before, and I think he wanted for political reasons to show that he was in touch with the Israelis. They did a readout of that call, the National Security Council spokesman did. So they're busy talking to the Israeli prime minister, doing the readout of the call for the press, and he is not talking to Panetta and, insofar as we -- and Donilon, apparently, is not talking to Panetta. And it is really, I think, a dereliction of duty on the part of the president and his senior staff, and I think they should be asked about it. I think Tom Donilon, the national security adviser, and Jack Lew, the White House chief of staff, should -- the president did not talk to anyone. Did they even talk to the secretary of defense, or did they just say, do what you can and then totally checked out for that evening, and then the next morning the president goes off to Las Vegas for a fund-raiser?

COTTON: It is not just shocking, I would say it is outrageous as well, and it shows he has lack of preparation to be the commander in chief and lead troops when they are in combat. You know, you mentioned I was in the Army. At Fort Benning, where I spent a year, you learn the eight-step troop leading procedures. Step eight, the final step, is not issue an order. Step seven is issue the order. Step eight, which is the most important step, is supervise. He said in September that I issued a directive to take whatever steps are necessary to protect our troops and our assets. And then as Bill said, he never again followed up, he never asked, is my directive being executed? That is the essence of leadership, and this is a complete failure of leadership.

WALLACE: What about the argument, Congressman, and I don't know, and Bill raises a legitimate question, maybe he was doing this through his national security adviser.

COTTON: What General Dempsey and Secretary Panetta said, indicates there was no further contact from the White House, and the president showed no curiosity at all. He had a conversation with Prime Minister Netanyahu that was in the middle of political season when he was receiving criticism for not being engaged with the prime minister, and then probably preparing to fly off to Las Vegas the next day for a fundraiser.

When you have troops in contact -- when I was in Afghanistan, we had troops in contact. I was right next to the radio, monitoring that at all times. When the president has troops in contact in an embassy that he knows is insecure, that has to be the very first priority.

WALLACE: Juan?

WILLIAMS: Well, I mean, I'm just listening to -- it's one side of the conversation. It's not wrong, but it's not complete. What's complete is that Secretary Panetta said this week these were two attacks that took place at the start and end of a seven-hour period. It was not one continuous attack.

Secondly, the military was not positioned to respond and to help because they had no information. They did not have sufficient intelligence about a forthcoming attack. This is exactly what the secretary said.

So in that circumstance, you have an attack; the president has said, "I want my people protected; take all necessary steps to protect Americans at risk" and put his people in place to do that job. His people were doing that job. I don't know why the president would suddenly have to not only circumvent but then supersede the authority of everybody in the line of order here.

I mean, that -- so I guess you're picking on the president. But I -- it just doesn't seem real to me.

COTTON: Well, I mean, Winston Churchill said the essence of civilian leadership of the military is always right to probe. And the president has shown his willingness to do this. When the generals in 2009 proposed 40,000 troops to go to Afghanistan, the president pressed and pressed and pressed and reduced it to 32,000, I think without good reason. If they had said that night, "Well, we have this six-hour rule and we can't get assets there," the president could have probed and said, "We can't get any assets there? We don't have ships off the shore? We don't have helicopters?"

WILLIAMS: I guess that indicates you don't have much trust in Secretary Panetta, Secretary Clinton and the like. I would guess that the president, having appointed them, doesn't share that point of view. He thinks these are good people who care about American assets, care about American life and especially the life of an ambassador.

I mean, it's just like the Syria situation we're discussing here. In the Syria situation, the president did follow up, did do the due diligence you spoke of, Congressman, and he said, you know what, there is a question about do the arms fall into the possession of the wrong group, maybe some, you know, terrorists.

WALLACE: I'm going to have to stop for a very good reason, which we'll see in a second. And I want to thank you all, and we'll see you all next week.

I have to make a bittersweet announcement that I have been dreading. Marty Ryan, our executive producer and leader, is retiring today.

(BEGIN VIDEOTAPE)

WALLACE (voice over): He is one of the originals here. He put Tony Snow and "Fox News Sunday" on the air almost 17 years ago, even before there was a Fox News Channel. Over the years, he was in charge as we interviewed four presidents. He was in charge during our political coverage and big special events. And we couldn't keep him away when we interviewed his favorite quarterback.

(END VIDEOTAPE)

WALLACE (on camera): Boy, isn't that the truth. In case you're wondering, when we go to break late in the show -- go ahead, show the picture. That's Marty on the back row. Wave, Marty. Good, there he is.

He's the guy with the silver hair. I think I gave him some of those.

(LAUGHTER)

And, yes, he's in charge. I will miss him dearly and so will this program. But, Marty, no one ever deserved to put his feet up and relax more than you do.

Up next, our Power Player of the Week.

(COMMERCIAL BREAK)

WALLACE: Whenever a president does something like hold a press conference or head to Camp David or even go for a round of golf, there is someone in the White House keeping count of exactly how many times he's done it. But it isn't some White House official. No, it's our Power Player of the Week.

(BEGIN VIDEOTAPE)

KNOLLER: The numbers really help tell the story, in an important way.

OBAMA: I'm going to call on Mark Knoller. Where's Mark? There you are.

KNOLLER: Mr. President...

WALLACE (voice over): The numbers CBS White House correspondent Mark Knoller is talking about are meticulous records he keeps on almost everything the president does.

Think we're exaggerating?

KNOLLER: I keep logs on the number of speeches. Did he use a Teleprompter? How long did the speech run? Where did he go? How many times has he been there before; number of flights on Air Force One; number of flights on Marine One?

WALLACE: We squeezed into Knoller's cramped booth in the press room where he showed us his file on each of the 114 rounds of golf President Obama has played.

KNOLLER: I keep log what date did he play; how long did he play it; who was in the foursome; what time did the golf game begin; what time did it end?

WALLACE: You love this stuff, don't you?

KNOLLER: At least now I've got an aspect of the presidency that pretty much I own. And I like that.

WALLACE: And Knoller does own it. His colleagues in the press corps come to him to find out how many news conferences the president has held. And when National Security Adviser Tom Donilon was briefing reporters on the economic summit last year, he deferred to Knoller.

NATIONAL SECURITY ADVISER TOM DONILON: It's always risky to do this with presidential historian Mark Knoller in the room, but I'll do this anyway...

(LAUGHTER)

... at the risk of being -- at the risk of being corrected immediately.

WALLACE (on camera): How do you feel being the unofficial records-keeper of the presidency?

KNOLLER: Well, it certainly wasn't what I set out to do, but unofficially, yeah. I guess I'm unofficial.

WALLACE (voice over): Knoller started his record-keeping a couple of years into the Clinton administration when he noticed the president kept going to California.

KNOLLER: I tried going back to reconstruct how many trips he had made to California and it took all day.

WALLACE: So Knoller started keeping his own records. He spends 60 to 90 minutes at the end of each day logging every presidential activity.

The presidents have noticed. When Knoller reported George W. Bush had spent more than a year at his Texas ranch, it came up at a White House Christmas party.

KNOLLER: I come up to shake his hand and he says to Laura, "This is the guy who tells everybody how often we go to the ranch, and if we get there at 10 in the evening, he counts it as a full day. And I corrected him. I don't count it as a full day. And he seemed glad to hear that.

WALLACE (on camera): Do you think it's a tad obsessive?

KNOLLER: OK, I'm obsessed with doing my job well, to doing it thoroughly. You got me.

(LAUGHTER)

WALLACE (voice over): Knoller has been covering presidents since Gerald Ford. At age 60, he's never married. But he has no regrets.

(on camera): Is this job; is this group; is this your family?

KNOLLER: Sure. It's my life. I'm able to cover this place exactly on my terms. And I find that very satisfying.

(END VIDEOTAPE)

WALLACE: Knoller isn't sure what he'll do with his files once he leaves the White House beat, but he'd like to find some think tank that wants them. And he's also like to write a book.

Now this program note: Stay tuned to this Fox station and Fox News Channel for complete coverage Tuesday night of the president's State of the Union address and the Republican response from Senator Marco Rubio.

And that's it for today. Have a great week. And we'll see you next "Fox News Sunday."

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