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Fox News Network

**June** 4, 2010 Friday

**SHOW:** FOX SPECIAL REPORT WITH BRET BAIER 6:40 PM EST

## **Fox News All-Stars**

**BYLINE:** Bret Baier, Charles Krauthammer, Fred Barnes, Juan Williams

**SECTION:** NEWS; Domestic

**LENGTH:** 2309 words

(BEGIN VIDEO CLIP)

BARACK OBAMA, PRESIDENT OF THE UNITED STATES OF AMERICA: We are going to cut through any bureaucratic red tape, any problems that we've got, and we will fix the problems that have been identified, and we'll keep on coming back until we have dealt with an unprecedented crisis.

This report is sign that our economy is getting stronger by the day. I want to emphasize that most of the jobs this month that we're seeing in the statistics represent workers who have been hired to complete the 2010 census.

(END VIDEO CLIP)

BAIER: Two stops today. President Obama today earlier in Maryland talking about the unemployment rate dropping to 9.7, but the markets tanked on that news because almost all of the jobs were created were for the census, as he talked about.

He's down in the Gulf region right now and he has cancelled a planned trip to Australia and to Indonesia because of the **Gulf oil spill**. He is dealing with a lot. How is he doing?

Let's bring in our panel, Fred Barnes, Executive Editor of "The Weekly Standard," Juan Williams, news analyst for National Public Radio, and syndicated columnist Charles Krauthammer.

Not to mention, Fred, that the national debt is increasing, over \$13 trillion. \$5 billion a day this administration is adding.

FRED BARNES, EXECUTIVE EDITOR, "THE WEEKLY STANDARD": Bret, that is real money. That's for sure.

Look, President Obama is great when he is talking about hope and change and the future and his promises and what the policies will lead to in the glorious days ahead. But when it comes to dealing with the problems in front of him now, particularly the ones he hadn't expected the oil crisis, the fiscal and debt crisis with the deficit building up at a fast pace, and then high unemployment, the president has trouble dealing with those things and he would rather talk about the agenda.

The oil crisis, what is the message there according to the president? We have to pass cap-and-trade. I don't think that is really the message.

And the unemployment numbers today were horrible. Only 10 percent were private jobs in the job growth, and a good number of those were probably from the clean up down in the Gulf of Mexico and so are not permanent jobs. Everyone knew that was a setback and it will get worse next month when many of these census workers are let go.

What is needed by a president is effective crisis management, and dealing with today's problems even if you haven't planned on it, debt crisis and oil spill and high unemployment. You have to deal with it effectively and concentrate on it. President Obama doesn't do that well.

BAIER: Juan, Robert Gibbs was asked yesterday about analysts who are out there saying his legislative agenda has been hijacked by the **Gulf oil spill**. And he responded that they have been counted out many times before. But this is a low point for this administration, correct?

JUAN WILLIAMS, NEWS ANALYST, NATIONAL PUBLIC RADIO: I think it's a low point in this regard, Bret. When you look at the political prowess of the president, and remember he has been a popular president, especially when he came in and among Democrats remains fairly popular, I think right now Democrats are starting to question his competence and his ability.

His ability as a political player in terms of the job offers to Sestak and the like, and the fact that you know what, it didn't work. Even if you thought, well, I don't know if it's illegal or legal, it didn't work. Sestak won the race, Romanoff, the guy from Colorado, went his own way. People aren't responding.

And the question is then does he have the muscle when it comes to that legislative agenda on the Hill?

In general, though, you have seen pieces in "Politico" and the "Washington Post" talking about what happened to the great competence of the team that so ably ran the 2008 team and surprised America and took an African-American candidate to the presidency, an astounding achievement?

And it seems to be that people feel you know what, when it comes to crisis management, and this is what Fred was saying they don't take it that seriously. They didn't the Gulf oil crisis as their own initially. They see the legislative agenda as their own, but they think, you know, well, we didn't anticipate this happening.

It's like, you know, we knew we came into an economic crisis. That was hand-delivered to us. We didn't make it. We didn't make the wars hand-delivered to us. We will deal with it.

But they don't inspire confidence, or is it the focal point of their energy in terms with dealing with crisis. And I think that is putting this general sense that it may end up that David Broder wrote this week in the "Post" it becomes a Jimmy Carter style Iranian hostage crisis for President Obama.

BAIER: Charles, those small things, no matter the perspective, but the things left to fester become big problems.

CHARLES KRAUTHAMMER, SYNDICATED COLUMNIST: They do, and they all add up. And I think what has happened to the president is that the persona he constructed in '07, '08, he was a rock star, shooting star, a guy, you know, hope and change. As we just heard, a man who rocketed, ended up in the presidency no one would have expected.

That is the persona I think which has been completely undermined in the last couple of months. Look, he was going to be Mr. Clean. He's going to throw the money changers out of the temple. He was going to have a new kind of politics, none of the special interest.

Over a year we saw the backroom deals on healthcare, the Louisiana purchase, all of that. And if you say that was Congress, well, now we get the stories of the White House with Sestak, Romanoff, all of this sort of semi-sleazy stuff.

Then his other attribute as the candidate was that he was the super, Mr. Fix-it, a man of the mystical powers. He wasn't only going to fix our economy and make everyone happy and put chicken in every basket, which every candidate promises, he was going to heal the planet and make the oceans recede. And now he can't close a spill in the Gulf of Mexico.

Look, I never believed any of this rubbish but a lot of people over the age of 15 did. And now the guy who is going to walk on water is powerless today. He can't walk on water, the Gulf of Mexico ducks can't walk on water. He looks powerless.

The last element was he was a transcender, a uniter, no blue or red states, we're all the United States of America. He's been hyper-partisan unlike any other administrations in the recent years, and all of the elements of his persona has been undermined. He's now ordinary and helpless at the same time.

BAIER: Last thing, Fred. 2008 in February, President Obama in New Orleans said about President Bush's handling of Katrina, we can talk about a trust that was broken, the promise that our government will be prepared, will protect us, will respond in a catastrophe.

BARNES: I bet he wishes he hasn't said that now. Look at how much more fortunate he is than President Bush. President Bush had to deal with a completely feckless mayor of New Orleans and dud for governor of Louisiana.

And who does Obama get to deal with? Bobby Jindal, a forceful, strong, smart young governor of Louisiana. Yet it took Obama two weeks, two weeks to approve the sand berms that Jindal wanted to build to block the oil from reaching the marshes. That is not decisive leadership.

WILLIAMS: Let me say quickly that I think his enemies and all the critics are feasting on him right now, but I think you will see that he has the capacity to bounce back from this once he gets the messaging straight and communicates well to the American people about things that I think he may care about, but he is just too cool and analytical at the moment for the situation.

BAIER: Heal their pain.

KRAUTHAMMER: He'll never walk on water again.

WILLIAMS: You're mocking him. You just enjoy mocking the guy.

BAIER: Go to the homepage at FOXnews.com/specialreport. Let us know what you think the president's biggest problem is. There is our only poll on the right there.

And next up, the Friday lightning round, your choice online topic of the week.

BAIER: Every week on the FOXnews.com/specialreport homepage, you, the viewers, vote on the topic we should discuss this, during this, the Friday lightning round.

Today, it was neck in neck, but in the end, the big winner was -- drum roll, please -- Fred Barnes' wild card pick. You look good there, Fred. What is the pick?

BARNES: Am I a jack there? I should have been the king.

(LAUGHTER)

My pick is the Rod Blagojevich trial which began yesterday in Chicago. They're doing jury selection now. But this poses a huge threat to President Obama, White House chief of staff Rahm Emanuel, Valerie Jarrett, senior counsel at the White House, all because it deals with replacing Obama in the Senate.

Rod Blagojevich wanted to sell that senate seat for campaign contributions or be named secretary of health and human services and all the -- you know, there were calls from Rahm Emanuel dealings with Valerie Jarrett. The president was I think more aloof from it.

What you will get in the trial is you will get FBI tapes. Now, even if you are Emanuel and the others that will be on, even if you ordering a pizza, if it's on an FBI tape, it sounds criminal. So this could hurt.

BAIER: Potential problem, Juan?

WILLIAMS: It is. Rod Blagojevich has no credibility. He's obviously a desperate character flailing around and trying to draw anyone else he can under with him.

But it's damaging because Fred again is right on this notion it's Chicago-style politics. So when you get people talking deals and you get people like Jesse Jackson Jr. suddenly mucked up in this, Valerie Jarrett - - I don't think there will be any legal troubles, but it looks as if they were offering deals. People will say this is Chicago politics.

BAIER: Painting the picture.

Charles, next topic, resume boosting -- we have seen it numerous times now. Mark Kirk, Republican in Illinois, Dick Blumenthal in Connecticut, Jan Brewer now, the governor of Arizona, and now Alexi Giannoulias, the democratic candidate of Illinois. What about the resume-boosting in this campaign?

KRAUTHAMMER: This stuff always amazes me because I'm always amazed by the fact that people think they will get away with it.

And my favorite now is Jan Brewer who said her father died fighting Nazis in World War II. Unfortunately he died in the '50s and he was a munitions worker in Nevada in World War II. There you go from exaggeration to hallucination.

And you wonder how -- it's sort of like family lore stories that you tell each other that becomes engrained, unchallenged, but you don't say it in public.

BAIER: Governor Brewer blames the media in part for that whole thing.

OK, last topic, the Detroit Tigers' pitcher Armando Galarraga almost had the perfect game. The last out, there it is, the run to first. And the ump says it was safe. But then he said, you know what, that was a horrible call. Now there are calls for an overturn so he can have the perfect game.

Quickly down the row. Fred, what happens? What do they do?

BARNES: I don't think they do anything. Congress probably won't -- look, you can't go back and change an umpire's call later. You shouldn't. That would be a terrible precedent. Besides, Galarraga will be the guy remembered as a guy cheated from a perfect game.

BAIER: What about if the ump comes out afterwards and says "I screwed up?"

WILLIAMS: I believe in justice and I think they should give the guy the perfect game. I think Bud Selig is feckless. He's like "I rely on precedent and what would they say about the bad call." This was the last out of the game. There is nothing after this. This is it. Come on, Bud.

BAIER: And of course you have politicians all trying to say it should be the perfect game. You've got every Michigan politician trying to pass legislation saying it was a perfect game.

KRAUTHAMMER: Absolutely. I think Juan reflects the perfect liberal view that there has to be justice in the world even if history has to be changed. But it can't be. History is history. It's a done deal. You don't undo it.

As John Kennedy once said, "Life is not fair." Einstein said, "Subtle is god, but malicious he is not." Fred is right. He will not be on the list of 20 who threw a perfect game, but he will be on his own list, the only guy ever who was robbed of the perfect game. He will become a verb -- "I was Galarragaed."

(LAUGHTER)

BAIER: Down the row, is it overturned?

KRAUTHAMMER: Absolutely not.

WILLIAMS: I'll say to you, but Mark McGwire and Sammy Sosa on the baseball records. You like that?

KRAUTHAMMER: Strike them out.

WILLIAMS: You conservatives --

BAIER: One word, yes or no?

BARNES: No.

(LAUGHTER)

That's it for the panel but stay tune to see result of a White House focused on a lot of things at once.

BAIER: Finally tonight, as James Rosen laid out in his piece, the White House is dealing with a lot of big things all at once and is trying to be good at all of them. That take as lot of juggling and sometimes, and well, you forget the small stuff.

(BEGIN VIDEO CLIP)

ROBERT GIBBS, WHITE HOUSE PRESS SECRETARY: For each and every piece of legislation --

JAY LENO, HOST, "THE TONIGHT SHOW": I wonder what it says. Liz, can we pull out?

(LAUGHTER)

(APPLAUSE)

(END VIDEO CLIP)

BAIER: Before we leave you tonight, we want to welcome another edition to the "Special Report" family. It's raining babies here. Senior producer Doug Warbach (ph) and his wife Dominique who is also a producer here at FOX welcomed a new daughter into the world today, Mackenzie Grace. She was apparently already barking orders to a director judging from this picture. I think I have seen that face on Doug before.

Congrats to the family from all of us here. We love leaving you with some happy baby news.

Thanks for inviting us into your home tonight. Make it a great weekend. That's it for this "Special Report," fair, balanced, obviously fertile, and unafraid.

**LOAD-DATE:** June 5, 2010

**LANGUAGE:** ENGLISH

**TRANSCRIPT:** 060402cb.254

**DOCUMENT-TYPE:** Show

**PUBLICATION-TYPE:** Transcript

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Fox News Network

June 21, 2010 Monday

SHOW: FOX SPECIAL REPORT WITH BRET BAIER 6:00 PM EST

## Political Headlines

**BYLINE:** Shannon Bream, David Lee Miller, Major Garrett, Greg Palkot, Brit Hume, Wendell Goler, Molly Henneberg, James Rosen, Carl Cameron, Catherine Herridge

**SECTION:** NEWS; Domestic

**LENGTH:** 4888 words

SHANNON BREAM, FOX NEWS CORRESPONDENT: Welcome to Washington. I'm Shannon Bream in tonight for Bret Baier. And this is a FOX News alert.

The man who authorities say tried to blow up a car bomb in Times Square last month has pleaded guilty in federal court. Correspondent David Lee Miller is live in Manhattan.

Good evening, David.

DAVID LEE MILLER, FOX NEWS CORRESPONDENT: Good evening, Shannon. Faisal Shahzad pled guilty to all the 10 counts he was indicted for in a cool, calm and deliberate demeanor. He pled guilty in the courtroom behind me here in Lower Manhattan. He faces the possibility now of life behind bars without parole. The judge said that she is going to consider sentencing guidelines but that she is not bound by them.

The hearing had an overflow crowd. The courtroom of Judge Miriam Cedarbaum packed to capacity. Two other courtrooms with a closed circuit television feed were also filled. The judge asked Shahzad to tell in his own words what he attempted to do.

He said that he received 40 days' training in the last year with the Pakistani Taliban. He said that of that time, five days were spent in training. He said he returned to the United States with the intention of using an explosive device. He said that he constructed the explosive device at his home in Connecticut and that he then placed it inside a Nissan Pathfinder that was to become the car bomb.

He described without any emotion whatsoever, then going to the crossroads of the world on May 1st to detonate that device. He said and I'm going to quote him now. "I ignited the fuses, gave it a time of 2 1/2 to five minutes and left." He then said he walked away from the scene expecting to hear a loud explosion, an explosion that he did not hear. He said again, and I'm quoting him, "I don't know why none of them went off." And by "them" he meant the three components in that bomb that were incendiary -- the fertilizer, the gasoline and the propane. He then made his way home via Grand Central Station. He took with him a 0.9-millimeter semi-automatic. He said he packed that weapon inside a laptop case.

And as for his motive for the intended carnage in Times Square, he said, quoting him again, "I am a Muslim soldier." His motive here, retaliation for perceived U.S. attacks against the Muslim world. He said that he would plead 100 times guilty, he told the judge, unless the U.S. withdraws from Afghanistan as well as Iraq. He is due back in court, Shannon, early October, at that time for sentencing. Back to you.

BREAM: Chilling words. Thank you very much, David.

Sixty-three days into the **gulf oil spill**, a federal judge is considering whether to overturn President Obama's moratorium on deep water oil and gas drilling. BP says it has spent \$2 billion fighting the **gulf oil spill** so far and has paid out more

than \$100 million in claims to victims. But much of the focus today is on matters a bit more tangential. Senior White House correspondent Major Garrett has the story.

(BEGIN VIDEOTAPE)

BILL BURTON, WHITE HOUSE DEPUTY PRESS SECY: If Tony Hayward wants to put a skimmer on that yacht and bring it down to the gulf, we'd be happy to have his help.

MAJOR GARRETT, FOX NEWS SENIOR WHITE HOUSE CORRESPONDENT (voice over): So continued the White House bashing of BP CEO Tony Hayward's yachting excursion off England's Isle of Wight on Saturday, one day after being relieved of day-to-day operational control over the BP **gulf oil spill**. But what about President Obama's golf outing the very same day, where the White House denied photos except for these of his motorcade? It was the president's seventh golf outing since the spill began. And what about his trip Friday night to the Nationals' baseball game?

BURTON: I don't think that there's a person in this country that doesn't think that their president ought to have a little time to clear his mind.

GARRETT: Even when relaxing, the White House says the oil spill weighs heavily on Mr. Obama's mind. Then he receives daily updates on the federal response. In the gulf, oil companies sought an injunction against the administration's six-month moratorium on deep water drilling arguing the blanket ban punished safe drilling operations and needlessly idled thousands of workers.

SCOTT ANGELLE (D), LOUISIANA LT GOVERNOR: We are already hearing about layoffs and hearing of drill shifts that are moving to other parts of the gulf. So certainly as folks are impacted by this decision, they will be forced to make payroll cuts.

GARRETT: The White House said the president is placing safety ahead of jobs, at least for now.

BURTON: We need to do every single thing that we can do to ensure the safety of those workers who are out on those rigs. And until he can say that he's done everything that he thinks is appropriate to ensure their safety, he doesn't want to move forward.

GARRETT: Mr. Obama's oil spill commission will advise him on when it's safe to lift the moratorium, but there's no timeline for that recommendation, meaning economic dislocations will continue and deepen. And that will increase pressure on Ken Feinberg, now in charge of distributing \$20 billion from a BP-financed compensation fund.

KENNETH FEINBERG, BP FUND ADMINISTRATOR: What I'm talking about is making payments more quickly once the payment is verified. A claimant has to come in and at least demonstrate that, you know, I've lost wages. Here's the wages I've lost. I've lost business interruption. My small business is suffering.

(END VIDEOTAPE)

GARRETT: Meanwhile, the Minerals Management Service, that's the regulatory agency that only days before that Deepwater Horizon rig owned by BP exploded, exempted it from environmental reviews, inspections and even the development of a comprehensive oil spill response plan. Well, today, it got a brand new name. It is now known as the Bureau of Ocean Energy Management Regulation and Enforcement. And the man put in charge of new regulations, Michael Bromwich, was sworn into office.

Also for the first time, the White House admitted that there are some legal questions still surrounding that \$20 billion BP compensation fund and the \$100 million set aside separately to compensate those idle deep water oil and natural gas rig workers. For the first time the White House said today, it will some time in the future publish the exact legal agreement it struck with BP on both of those matters -- Shannon.

BREAM: Major Garrett live at the White House. Thanks, Major.

Well, BP stock lost another three percent today in New York and the financial outlook for the company seems to grow darker by the hour. Correspondent Greg Palkot is following that part of the story from London.

(BEGIN VIDEOTAPE)

GREG PALKOT, FOX NEWS CORRESPONDENT (voice-over): The cost of the oil spill in the gulf for British energy giant BP continues to grow. On a day when the company said its payouts for the cleanup and claims have topped \$2 billion and just days after BP and the White House agreed to a \$20 billion escrow fund, there is word BP is getting

ready a \$50 billion war chest. The company's board of directors reportedly decided to do this through a combination of bank loans, bomb sales and a possible fire sale of assets, like key holdings in oil fields in the North Sea and Russia.

DAVID WIGHTON, BUSINESS COLUMNIST: And it needs to build up a cash pile to pay claims from the spill.

PALKOT: The bad news keeps coming. A worker on the stricken Deepwater Horizon oil rig claims he spotted trouble in one of two control pods of the rig's blowout preventer weeks before the explosion.

TYRONE BENTON, OIL RIG WORKER: We saw a leak on the pod. So by seeing the leak, we informed the company. They just shut it down and worked off another pod.

PALKOT: He and others claim the unit should have been repaired and it wasn't done for money reasons. BP tells FOX News it's aware of the allegation but that the rig was the responsibility of operator Transocean. This as the blame game continues, the British company also says a part owner in the well, the Anadarko Corporation, should contribute to the clean-up cost.

WIGHTON: But they can share some of the cost around. The pain for BP would be significantly less.

PALKOT: Friday, Anadarko said it shouldn't be held liable because BP was grossly negligent. BP whose stock was hit again today in London trading says it has not yet decided whether it will sue the company to get more money out of them. As for the embattled chief executive of the company, Tony Hayward, he is set to speak tomorrow at a gathering of oil industry executives in London.

(on camera): Late today, FOX News confirmed that Hayward won't be appearing due to a heavy schedule. His canceled theme: roles and responsibilities of oil companies in an age of uncertainty. Uncertain indeed.

In London, Greg Palkot, FOX News.

(END VIDEOTAPE)

BREAM: There has been plenty of criticism of BP chief Tony Hayward and President Obama for their recent leisure activities. Senior political analyst Brit Hume has some thoughts of his own on that.

Good evening, Brit.

BRIT HUME, FOX NEWS SENIOR POLITICAL ANALYST: Hi, Shannon.

The flap over how BP's Tony Hayward spent his weekend and how President Obama spent his are a classic case of the silliness of modern politics and the coverage of it. Hayward after all had just been replaced as the point man in the **gulf oil spill** response. President Obama despite claiming that he is in charge of the situation has shown there is nothing much he can do to stop the leaking oil either. So why would anyone care how either of these men spent their Saturdays?

Hayward, of course, was at a sailboat race, Obama on the golf course. The reason for the controversy is that so much depends these days not on how important people actually do their jobs but on whether they strike the proper posture. George W. Bush was attacked because he flew over the gulf right after Hurricane Katrina but did not actually land there until later. President Obama was criticized for not saying enough about the oil spill soon enough and for not going there immediately.

There is no evidence that earlier visits or comments by these two presidents would have made the slightest difference in the two situations. And it would certainly not have helped matters in the gulf if Tony Hayward had spent his Saturday at home doing nothing, though it might have kept Rahm Emanuel and Bill Burton from criticizing Hayward for sailing on a day when Burton and Emanuel's boss played golf. That perhaps would have been good for everyone, including the boss -- Shannon.

BREAM: All right. Brit, we're learning about the man who's going to head the president's oil spill investigative committee, Richard Lazarus. They're going to look into what happened with the Deepwater Horizon rig. What do we know about Lazarus?

HUME: Well, he'll be the executive director under Mr. Reilly and former Governor Bob Graham. Mr. Reilly having been President Bush's EPA director. Lazarus is a well-regarded law professor at Georgetown University Law Center here in Washington. He is a liberal and an out and out environmentalist. So if the people in the gulf are looking for somebody who would be predisposed to end that moratorium on drilling and activity in that area, I don't think they've gotten it in Lazarus, though no one can be sure how he will come out on all of this.

BREAM: All right. We'll wait and see. Thank you, Brit.

HUME: You bet.

BREAM: An Arizona senator is leveling a pretty serious claim against President Obama that the administration is purposefully dragging its feet on securing the southern border for political reasons. The president's people deny it. We report, you decide. White House correspondent Wendell Goler has both sides of the story.

(BEGIN VIDEOTAPE)

WENDELL GOLER, FOX NEWS WHITE HOUSE CORRESPONDENT (voice-over): It's a classic Washington story of he said, he said, after an Oval Office meeting that produced no meeting of the minds. Arizona Senator Jon Kyl telling a tea party group, the president is using border security as a bargaining chip.

JON KYL (R), ARIZONA SENATOR: If we secure the border, then you won't have any reason to support comprehensive immigration reform. In other words, they're holding it hostage.

GOLER: The White House says it didn't happen. At least not as Kyl says it did.

BILL BURTON, WHITE HOUSE DEPUTY PRESS SECY: The president didn't say that. Senator Kyl knows that the president didn't say that.

GOLER: Mr. Obama was already under fire from Arizona's governor for not telling her of plans to challenge the state's new immigration law. And the state's senior senator, the Republican presidential candidate in 2008, sharply criticized that.

JOHN MCCAIN (R), ARIZONA SENATOR: If they've spent half the time trying to get this border secured as they have tried, as they have spent trying to find ways to sue the state of Arizona, the border would be much more secure.

GOLER: By some measures, the border is more secure. Illegal immigration is falling, though some experts say that's mainly because fewer jobs are available on the U.S. side. New FBI figures show four border state big cities have the country's lowest crime rates, though more of the criminals are illegal immigrants. Governor Brewer says Mr. Obama hasn't yet sent the additional National Guard troops he promised, but aides say he's made other security improvements.

BURTON: The president has doubled the number of border agents who were there. We've put other surveillance systems in.

GOLER: But more guards the White House says are not enough. Adding 12 million illegals need to be encouraged to come out of hiding and that's one of the things Kyl says the president is bargaining for.

KYL: They want to get something in return for doing their duty.

GOLER (on camera): Officials here suggest Senator Kyl may get a White House scolding. Burton says he assumes someone will contact the senator's office though Kyl aides say he stands by his remarks.

At the White House, Wendell Goler, FOX News.

(END VIDEOTAPE)

BREAM: We will introduce you to a Democrat from Texas who has likened President Obama to Hitler. And Iran may be about to get hit again with even more sanctions over its nuclear program.

BREAM: In world headlines, House and Senate negotiators have agreed on a draft of a new round of sanctions aimed at Iran's energy industry and also the revolutionary guard. Iran has banned two United Nations weapon inspectors from entering the country. It says the two leaked false information about its nuclear program.

The consortium made up of the U.S., the U.N., the European Union and Russia is welcoming Israel's decision to ease its land blockade of Gaza but says more needs to be done. Another aid ship may soon try to break the naval blockade and a planning group has approved a proposal to raise 22 Palestinian homes in East Jerusalem to make room for an Israeli tourist center.

NATO says one American service member and three Australian commandos were killed in an early morning helicopter crash in southern Afghanistan. The Taliban has claimed responsibility, but NATO says there is no indication of enemy involvement.

The Supreme Court has upheld a law banning any kind of material support for foreign terror groups. Correspondent Molly Henneberg tells us exactly why this was such a contentious issue.

Good evening, Molly.

MOLLY HENNEBERG, FOX NEWS CORRESPONDENT: Hi, Shannon. The aid group fighting this law said they want to provide training in support of legal and non-violent activity. But the Supreme Court ruled today 6-3, that even if it's for the pursuit of peace, the government can ban all material resources for terror groups.

The Humanitarian Law Project, one of the aid groups, wants to assist with peace negotiations and wants to train members of the PKK in Turkey and the Tamil Tigers in Sri Lanka how to bring human rights complaints to the United Nations. The U.S. State Department though says those two separatist groups are terrorist organizations.

The Law Project's lawyers had argued to the court that this was a matter of free speech. But writing for the majority, Chief Justice John Roberts said, quote, "Material support meant to promote peaceable, lawful conduct can be diverted to advance terrorism in multiple ways." But the three dissenters, Justices Stephen Breyer, Ruth Bader Ginsburg and Sonia Sotomayor countered that while the government can bar money and resources from going to terrorist groups, they see this case as something different, that aid groups do have a right to provide peaceful help.

Breyer wrote for the minority, quote, "Not even the serious and deadly problem of international terrorism can require automatic forfeiture of First Amendment rights." Still, this is a win for Solicitor General Elena Kagan who had argued the government's case in February. President Obama has since nominated Kagan to serve on the court and her confirmation hearings begin in about one week -- Shannon.

BREAM: She's got a busy week ahead. Molly Henneberg, thank you.

Well, no news actually is news when it comes to the 9/11 trials. We'll tell you why just a bit later. And the latest news on a bill to extend jobless benefits and why not just Republicans are against it.

BREAM: China today followed through on a surprise weekend promise to allow more flexibility for the yuan. It rose about half a percentage point against the dollar at one point. The move sent stocks higher across the globe. It didn't seem to make a difference on Wall Street. The Dow lost 8 1/4. The S&P 500 dropped 4 1/3. Nasdaq fell 20 3/4.

Well, the Treasury Department says a growing number of homeowners who sought help from the administration's mortgage aid program are in danger of losing their homes. It says around 436,000 borrowers have dropped out as of last month. That's about 35 percent. Most of those were rejected during a three-month trial period.

Federal regulators have adopted a plan to keep bank pay policies from encouraging employees to take reckless gamble, like the ones that contributed to the financial crisis. Regulators will review senate practices and so-called golden parachutes and could be toned down.

Our next story is about an oft heard Washington argument: spend money now for short-term gain or refuse for long-term benefit. Correspondent James Rosen tells us about the unusual battle lines. This time they're a bit fuzzy.

(BEGIN VIDEOTAPE)

HARRY REID (D-NV), SENATE MAJORITY LEADER: When the Senate refuses to pass good bills, the good people in our states pay the price.

JAMES ROSEN, FOX NEWS CORRESPONDENT (voice over): The Senate's top Democrat scolded colleagues Monday for voting twice to block the extender bill of which he is a prime architect. The bill is called an extender because it revives some expired tax cuts for small businesses while raising taxes on Venture Capital firms and it provides extended payments to unemployed people whose benefits are running out.

REID: Every minute we waste gets worse for them. It would serve the Senate well to remember the consequences of decisions that are driven by politics purely.

ROSEN: But Reid's quarrel this time is not limited to Republicans. Senators Joe Lieberman and Ben Nelson both voted to block the extender, citing the \$60 billion the measure would add to the federal deficit, a figure that was itself pared down from an earlier version to \$80 billion.

DICK DURBIN (D-IL), SENATE MAJORITY WHIP: It doesn't look good.

ROSEN: Reid's top lieutenant, meantime, conceded to reporters in Chicago that prospects for passage of the extender bill has dimmed, even as the majority whip argued for more deficit spending in a period of tepid economic recovery.

DURBIN: People say, well, with this deficit, how can you add to it? The best way to get out of our deficit is to put people back to work. In the medium term, a matter of a year, two, three years, we can honestly say now we can move toward long-term structural deficit reduction. I think that's an honest answer. It may not be the most popular answer in some quarters.

ROSEN: And it certainly wasn't popular with the Senate's top Republican.

SEN. MITCH MCCONNELL (R), SENATE MINORITY LEADER: Our good friends on the other side still don't seem to get it. They're twisting and turning not in an effort to cut the debt but to borrow as much as they can with the minimum votes they need to pass this bill.

(END VIDEOTAPE)

ROSEN: And it wasn't clear defecting Democrats could be persuaded to support the bill unless it is made deficit neutral especially as concern mounts in both parties about the implications of extending jobless benefits to people who have already received up to 98 weeks worth. An aide to Senator Reid told FOX News he is still whittling down the extenders cost and may even strip it of \$24 billion in federal funding for Medicaid -- Shannon.

BREAM: All right. News a lot of folks aren't going to want to hear. Thank you, James.

ROSEN: Thank you.

BREAM: Well, "America's Election Headquarters" is centered on South Carolina tonight. Chief political correspondent Carl Cameron reports on a candidate who's been fighting through a wave of controversy in order to try to make history.

(BEGIN VIDEOTAPE)

CARL CAMERON, FOX NEWS CHIEF POLITICAL CORRESPONDENT (voice-over): A half a percent short of outright victory two weeks ago, South Carolina State Representative Nikki Haley is favored to win the Palmetto State's Republican gubernatorial runoff Tuesday, against four-term Congressman Gresham Barrett, despite unsubstantiated charges of infidelity and questions about her faith. She says the days of racial and religious dirty tricks in South Carolina politics are ending.

NIKKI HALEY (R), SC GUBERNATORIAL CANDIDATE: It shows that the state is changing, but I think the country is changing. They don't want to hear dirt about the other opponent. And when that candidate stands strong, they're going to stand with him.

CAMERON: She has big name support from GOP luminaries outside South Carolina but no shortage of critics at home. Two men have leveled unsubstantiated charges of adultery, one of whom recently endorsed her. And in a state where Evangelical Christians dominate Republican primaries, she's faced questions about her conversion to Christianity having been raised as a Sikh by Indian-American parents.

REP. GRESHAM BARRETT (R), SC GUBERNATORIAL CANDIDATE: We're not going to be involved, haven't been, nor will we be involved in negative campaigning.

CAMERON: Four-term conservative Congressman Gresham Barrett denies a whisper campaign of character assassination, but he's been accused of it anyway. A veteran, his recent ad features a drill sergeant noting his faith.

(BEGIN VIDEO CLIP)

UNIDENTIFIED MALE: A Christian family man who won't embarrass us. Gresham, you made me -- want to vote for you.

(END VIDEO CLIP)

CAMERON: Barrett has put faith in his campaign for years. He insists this race should be about conservatism and experience. But he was 27 points behind Haley on primary night, so far behind he struggled to compete with the front-runner's rising star power.

BARRETT: I think my record is more conservative than Miss Haley. But, you know, she tries to play the outsider but I mean, she's got -- I mean, she's the anointed one.

CAMERON: Backed by tea party groups and the establishment as the face of the GOP's future, she's already talking like it.

HALEY: It is no longer about being Republican. It's about being conservative.

CAMERON (on camera): Polls show her already leading in November against Democratic state Senator Vincent Sheheen. Every time she's been hit with a personal attack, her popularity has increased. Nikki Haley, born Nimrata Randhawa, would be South Carolina's first woman governor.

In Washington, Carl Cameron, FOX News.

(END VIDEOTAPE)

BREAM: The "Associated Press" says it has obtained e-mails indicating then Congressman Rahm Emanuel may have attempted to trade favors with then Illinois Governor Rod Blagojevich. Emanuel is now President Obama's chief of staff. Blagojevich was kicked out of office and is on trial for corruption. The e-mails describe Emanuel's attempt to get Blagojevich to release school grant money for his district right after he signed a letter of support for Blagojevich to a Chicago newspaper.

One congressional candidate wants to impeach President Obama. And she's a Democrat. And Republican Senate hopeful Mark Kirk may have been caught in another stretching of the truth.

BREAM: And now fresh pickings from the "Political Grapevine."

Democrats in Texas have given up on a congressional race following a primary victory by unorthodox candidate. "Time" magazine reports Keisha Rogers won 53 percent of the vote. She is part of Larouche political movement, wants to impeach President Obama, opposing the United Nations, and supporting the colonization of Mars.

During the campaign she was photographed carrying an oversized portrait of Obama with Hitler-style mustache. The Texas Democratic Party has adopted a resolution denying any support for Rogers.

And while previously unknown candidate Alvin Greene won his Democratic primary without campaigning, Rogers says, "I was knocking on doors everywhere. Everyone knew my position."

There could be another example of resume boosting from Illinois Republican Senate candidate Mark Kirk. The "New York Times" reports the leader of the church where Kirk says he was a nursery school teacher says "He was never considered a teacher. He was just an additional pair of hands to help primary teaching person."

Kirk's campaign says he was a nursery school teacher with the, quote, "responsibilities that one would expect." Kirk has come under fire for several exaggerations and errors in his statements about his military record.

And finally, the Los Angeles Police Department wants red light camera exempted from the city's boycott over Arizona's new immigration enforcement law. "The L.A. Times" reports the city council will consider the request Tuesday with a bid for another Arizona based firm for the same contract.

But police officers are still questioning whether the political correctness is trumping public safety. The LAPD withdrew a request for officers to attend a training conference in Arizona after objections from some council members.

Our top story at the bottom of the hour, the man who confessed to the attempting car bombing in Times Square last month pleaded guilty in Manhattan federal court. Faisal Shahzad told the court he considered himself Muslim soldier and wanted revenge for perceived U.S. terrorizing the Muslim people.

The suspects in a terror attack, though, was successful will not learn judicial fate soon. National correspondent Catherine Herridge reports that politics may play a part in the decision not to make a decision.

(BEGIN VIDEOTAPE)

CATHERINE HERRIDGE, FOX NEWS CORRESPONDENT: Testifying before Congress in March, Attorney General Eric Holder sounded confident the decision on where and how to try 9/11 suspects was imminent.

ERIC HOLDER, U.S. ATTORNEY GENERAL: I don't think we're talking about months. I think we're probably weeks away.

HERRIDGE: But multiple sources tell FOX they believe the review headquartered at the White House is stalled and a decision whether to prosecute Khalid Sheikh Mohammed and his four coconspirators in a federal or military court may not come until after the midterm elections.

BILL BURTON, WHITE HOUSE DEPUTY PRESS SECRETARY: There is no specific date that I know of.

HERRIDGE: Some say it would alienate president base supporters on the left who elected him on the promise of federal trials for terrorist.

UNIDENTIFIED FEMALE: Are we mad or not?

HERRIDGE: The attorney general's decision late last year to seek federal trial in New York provoked such a backlash the White House said it would be reviewed. Reversing Holder's decision could further erode support for Democrats in a tenuous election year.

CHARLES STIMSON, FORMER PENTAGON OFFICIAL: It's just unsustainable for the demoralized left, and they don't want to keep more away from the ballot box in November.

HERRIDGE: The 9/11 case and the closing of the Guantanamo military prison in Cuba are linked. The Senate majority whip conceded recently that in a non-election year he might speed the process.

SEN. DICK DURBIN, (D-IL) SENATE MAJORITY WHIP: Perhaps it will be easier. That's a pretty cynical view, and very accurate.

(END VIDEOTAPE)

HERRIDGE: Asked by Fox why the administration was putting off the 9/11 decision until after the midterm elections, Mr. Holder did not deny the timing, but said politics is not behind it.

The reality is that nearly a decade after the worst terrorist attack on U.S. soil, no one is charged with the murder of nearly 3,000 Americans. Shannon?

BREAM: Catherine, thank you.

The man in charge of U.S. troops in Afghanistan had some tough things to say about people in the Obama administration. General Stanley McChrystal in the upcoming issue of "Rolling Stone" magazine saying he was betrayed by U.S. ambassador Karl Eikenberry who was harshly critical of McChrystal in a document leaked to the "New York Times."

McChrystal describes envoy Richard Holbrooke as "a wounded animal afraid of being fired," and jokes about Vice President Biden, saying "Who is that? Did you say "bite me"?"

A famous ad campaign once declared image is everything. So what do we make of what BP's CEO in a yacht race, and president Obama on a golf course? We talk about it with the FOX all-stars right after this break.

**LOAD-DATE:** June 21, 2010

**LANGUAGE:** ENGLISH

**TRANSCRIPT:** 062101cb.254

**DOCUMENT-TYPE:** Show

**PUBLICATION-TYPE:** Transcript

332 of 1000 DOCUMENTS

Fox News Network

**June** 6, 2010 Sunday

**SHOW:** FOX NEWS SUNDAY 9:00 AM EST

## **Fox News Sunday Roundtable**

**BYLINE:** Bill Kristol, Mara Liasson, Dana Perino, Juan Williams, Chris Wallace

**SECTION:** NEWS; Domestic

**LENGTH:** 3874 words

(BEGIN VIDEO CLIP)

OBAMA: If laws are inadequate, laws will be changed. If oversight was lacking, it will be strengthened. And if laws were broken, those responsible will be brought to justice.

(END VIDEO CLIP)

WALLACE: President Obama in his weekend address trying once again to get out ahead of the **gulf oil spill**.

And it's time now for our Sunday panel of Fox News contributors, Bill Kristol of The Weekly Standard, Mara Liasson of National Public Radio, former White House press secretary Dana Perino, and Juan Williams, also from National Public Radio.

Well, I think it's fair to say, Bill, it was a tough week for the president -- growing criticism over his response to the **gulf oil spill**, growing controversy over the White House offering jobs to two Democrats in Colorado and Pennsylvania to try to get them out of contested primaries.

And suddenly, the new narrative in Washington is that the vaunted Obama team is a bunch of bunglers. Fair?

KRISTOL: No. I mean, I think it's always a good idea in my -- as a staff guy, let me defend the Obama staff guy -- former staff guy. The staff always gets too much credit and too much blame. And ultimately, President Obama made the decision about how to handle this -- the gulf oil crisis.

I mean, I do believe it when he says he personally has been running this from the first day. That's my impression from talking to people close to the White House.

He presumably, you know, has confidence in his chief of staff and deputy chief of staff and told them to try to clear the field of these -- in these Senate races.

He's the one who gave the Cairo speech a year ago -- it was a year ago two days ago -- which doesn't seem to have worked out so well in the Middle East.

It's his stimulus package. So I don't think it's a problem of public relations. It's not a problem that the communications team doesn't do a good job getting their message out. It's a problem with the policies.

WALLACE: Well, and there's also a question -- it's interesting how that turned from a compliment to an insult (inaudible) but...

LIASSON: That's Bill's specialty.

(LAUGHTER)

WALLACE: But I mean, it's also a question of crisis management, isn't it?

LIASSON: Well, first of all, you're talking about two different things. Crisis management on the gulf, definitely. And that's something that was beyond their control. The other things that they have...

(CROSSTALK)

WALLACE: Well, the way to manage it wasn't beyond the...

LIASSON: No, no, but this was a big unprecedented problem.

The other thing that happened to them which got a lot of the criticism about the political operation was the job offers to Joe Sestak and Romanoff in Colorado. Now, that was unforced error, completely, I think. I separate the gulf into a different category.

But the fact is that was a kind of ham-handed political act. It's something that's been done by every single administration in the past, to clear the field for an incumbent or a favored candidate.

Then they proceeded to wait a very long time, an inexplicably long time, to explain what happened. And then when they did explain what happened, at least in Sestak, they didn't answer all the questions. And it's morphed -- and we've all seen this movie before. It's now morphed into this call for an investigation. And this is what happens in Washington.

I haven't talked to any expert who thinks something criminal or unethical occurred. However, the Department of Justice is going to be under a lot of pressure now to investigate it, if only to clear the air, to make sure no statutes were violated.

And I don't know if they're going to be able to resist that pressure. It's always kind of the cover-up or the stonewall that gets you.

WALLACE: Dana, Mark Penn, who was Hillary Clinton's top strategist in the 2008 campaign, has just written an essay for Huffington Post, and let's put up part of it on the screen. "President Obama's political career and clout have never been in a more perilous state. Voters across the country are wondering if they underestimated the value of experience and crisis management as important attributes for their president." Allowing for some sour grapes coming still from the 2008 campaign from Mr. Penn, this is coming from a top Democratic strategist.

PERINO: Right, and he's not the only one. But he says -- obviously, he says it very well. And I should say that, you know, I have a working relationship with Mark. And when I read that, it reminded me of going back to the campaign. And it all came down to the question of who's got the most experience.

Well, when you're in a campaign, that's really a communications effort. You're convincing people to vote for you. But then governing is very different. And I remember during the election listening to all the candidates and thinking they're probably going to have to eat some words once they start governing, because it's a lot different. And I think that they found that out.

WALLACE: And what do you think the last couple of weeks have demonstrated about the ability of the Obama team to govern?

PERINO: Well, I think a couple of things. One is the self-inflicted wound with Romanoff and Sestak. They -- I want to disagree with Mara where she -- where -- I know that everybody is saying this happens all the time. But the quid pro quo and offering a job is very explicitly against the law.

And so I do think that because they've erected this cloud of suspicion over them, the best thing that they could do for themselves politically in the long run is to have an independent review, because then from a communications standpoint they could say, "There's an independent review. We're focused on the Middle East, the economy," whatever they want to focus on, instead of having this distraction.

WALLACE: Wait a minute. We had an independent review of Valerie Plame. We had an independent review of Monica Lewinsky. Those didn't work out so well for those White Houses.

WILLIAMS: No, but it's a waste of time. The whole thing is a -- I mean, it's an incredible indulgence. It's just, you know, the kind of thing that makes Americans furious with Washington, finger-pointing, blame-gaming.

Everybody knows politics happens in Washington. I think the problem here is this is an administration that, as Hillary Clinton famously pointed out, you may not want to have answer the 3:00 a.m. call.

These are guys who have tremendous vision about legislative achievements and specific things like health care, going forward on immigration, those difficult issues for America that America so far has failed to deal with.

But when it comes to the crisis, when it comes to the **gulf oil spill**, the wars, the recession, they feel as if it's being imposed upon them, rather than taking the helm. I think that's what Americans are sensing right here. And I think it's the source of their problem at the moment. Are you able to handle a crisis in a convincing way that inspires confidence? And so far, the president hasn't done that.

Now, some say he should just go into a rage. I don't think that's who Barack Obama is. I think he's a pretty cool character, fairly analytical, and I think we all admire as part of the meritocracy in America. Those are people who are really smart. But you know what? They don't know how to deal with this crisis, and I think lots of Americans therefore are blaming the president, fairly or unfairly.

WALLACE: Bill, we've got another aspect of this, and we've got less than two minutes. In the case of the White House offering jobs to Democratic candidates -- and whether it was illegal, or improper, or unethical or just dumb -- the Web site Politico said that it was a mixture of Richard Daley, the famous machine boss mayor of Chicago, and Barney Fife from "The Andy Griffith Show."

You know, the White House is trying to play hardball politics. They offered these jobs. And the guys ignored them. So I mean, they -- on the one hand, they look like they're cynical and politicians. On the other hand, they look hapless.

KRISTOL: Well, that's right. I'm sorry if I'm slow in responding, but I'm still so stunned by Juan Williams just having thrown the Obama administration under the bus.

WILLIAMS: Oh, stop.

KRISTOL: That was a wonderful moment here on "Fox News Sunday."

WILLIAMS: Right.

KRISTOL: And I just want to relish it...

(CROSSTALK)

KRISTOL: I think we should all relish it for a couple of seconds before I answer Chris' good question.

WILLIAMS: Wait, telling the truth is...

(CROSSTALK)

KRISTOL: You're right. Telling the truth is great. I totally agree. They're not up to managing these serious crises and to really dealing with the real fundamental challenges out there. Otherwise he's a good president, you know?

In terms of the -- it would have helped -- if you're going to put all your weight behind Arlen Specter in a big primary in Pennsylvania, it would be helpful if Arlen Specter won the primary. Yes. So it's bad -- it's bad to muck around politically, do things that might cost a lot or might not legally, and then lose.

And now Andrew Romanoff in Colorado, who's trailing Michael Bennet, the incumbent senator, the appointed senator, seems to be using the White House attempt to pressure him in the primary to try to gain ground on the -- on the incumbent.

WALLACE: I was -- I was going to say, Mara, I mean, to a certain degree both of these Democratic insurgents, Sestak and Romanoff, are using as capital the fact that they stood up to the White House.

LIASSON: Yes, but both of these stories came up kind of inadvertently. Romanoff and Sestak didn't go out to say, "Look, they offered me a job and I rejected them. I'm independent." That isn't how this...

WALLACE: Well, Sestak didn't say it...

(CROSSTALK)

WALLACE: ... in the interview.

LIASSON: Sestak answered a question.

WALLACE: He wasn't waterboarded.

LIASSON: He answered a question. He answered a question. But the ironic thing is -- I agree with Bill -- it would have been better, if you go out to try to do something -- what is it? If you go to try to kill the king, you better actually kill him? Effectiveness is always better than some reputation for ethics.

But in Pennsylvania, in the end, they might have ended up with a better candidate. You can't say that it's better if Arlen Specter had been nominated. Look how damaged he was. I think Sestak actually has a better chance.

Romanoff, I think, is trying to improve his image and trying to say, "Look, I rebuffed their entreaties." But I don't think he's going to win there.

I think this is a real problem of their own making, as Dana said, and I think that an investigation, an independent investigation, always morphs into something bigger. You get into obstruction. Always more of a headache than it's worth.

WALLACE: All right. We have to take a break here.

But when we come back, new job numbers send the stock market plummeting. We'll ask our panel if even tougher economic times are ahead.

WALLACE: On this day in 1944 Allied forces landed on the beaches of Normandy. The D-day operation began the march across Europe to defeat Hitler's Nazi Germany.

Stay tuned for more from our panel and our Power Players of the Week.

(BEGIN VIDEO CLIP)

OBAMA: This is the fifth month in a row that we've seen job gains. This report is a sign that our economy is getting stronger by the day.

(END VIDEO CLIP)

WALLACE: President Obama talking up the latest numbers Friday showing the economy added 431,000 jobs. But the stock market, as you can see, had a very different reaction, plunging 323 points, or more than 3 percent.

And we're back now with our Sunday group.

And here's why the stock market took such a dim view of the job numbers in May. Let's put it up on the screen. Four hundred -- yes, 431,000 jobs were added, but only 41,000 of those were private sector employment. All the rest were government census hires, and those are, of course, temporary.

So, Dana, how much do those numbers undercut President Obama's effort to sell an economic recovery?

PERINO: Very much so. I think obviously the administration had already had a very bad week. And then on Friday they had the disastrous jobs report.

One of the things that was fascinating to me from a communications standpoint is that earlier in the week in, obviously, a coordinated effort, because President Obama, Vice President Biden, the press secretary -- even President Obama in prepared remarks from the Teleprompter talked up the jobs report early in the week and said we expect a good jobs report on Friday. And then it wasn't a good jobs report. And they did nothing to temper that back. Even if they had only known 24 hours ahead of time they could have started to dial back expectations, but they chose not to.

And so now, remember, all those 400,000 people that have temporary jobs -- they'll be laid off this summer. And so going into November, it looks quite perilous, with the oil spill, the deficit, health care reform and this now, a weak private sector job market. They're in some serious trouble.

WILLIAMS: Well, I think there's some -- there's some good stuff here. Manufacturing was up, longer work week for people. I mean, look. This administration didn't create this recession, in much the way they didn't create the war. They didn't spill the oil. I mean, but they're having to cope with these crises.

And in terms of what we're seeing on the jobs side, I think there's real intransigent on the Hill. Yes, they extended unemployment benefits this week. But you know what? Are they willing to put in more stimulus spending in order to ensure that we don't suffer or fall back into another double dip as some are worrying about? Which is why you see a reluctance on the part of private sector employers to go out and do hiring.

Forty thousand jobs were added, but I think people expected many more. And in combination with what we're seeing in Greece, in Hungary, the European instability, it makes people nervous.

That's not a result of anything the Obama administration is doing. I think it's just a result of world events. And it's not a time, I think, for finger pointing so much as it is time for us to come together and make some hard decisions about what's needed in terms of political impetus to stimulate this economy once more.

WALLACE: Bill, are you going to come together or are you going to finger point?

KRISTOL: Finger point, of course!

(LAUGHTER)

KRISTOL: At Juan. At Juan.

(CROSSTALK)

KRISTOL: Juan is the only person in America who thinks that if the government goes further into debt that will encourage private sector employers to hire more.

Look, Obama inherited a recession. The economy is coming out of the recession, as it always does. But the Obama administration policies are burdening the economic recovery and slowing it down.

Taxes are going up. The health care bill is a big burden on employers. This recent decision to shut down the ongoing deep drilling in the gulf is going to put people out of work. Those are just facts.

I mean, there's not a -- one economist in the country who thinks the Obama administration's policies are making it easier for the private sector to hire. They're discouraging hiring. And as a result we're having a very sluggish and anemic recovery.

WILLIAMS: I don't think they're discouraging...

LIASSON: Well, that's certainly the Republican...

(CROSSTALK)

WALLACE: Wait a minute. Let Mara in.

LIASSON: That certainly is the Republican argument. Now, the White House and other economists will say without the stimulus bill, the economy would have been worse. Now, that's not a very satisfying political argument to say things could have been worse.

But the fact is that everyone was surprised by these jobs reports. People were expecting something much better. If this is a blip, if this is just a one-month dip and then it kind of recovers into its slow but steady, not completely satisfactory but going in the right direction progress, I think the president's going to be OK.

But if this is a sign that we're going to have some kind of a double-dip recession, I think he's in tremendous problem -- trouble.

WALLACE: You don't...

LIASSON: The single most important issue for the midterm elections is the economy.

WALLACE: Well, and let's talk about this in the context of the midterm elections, because I think the general political wisdom is that there's a lag time between when the economy actually does start to pick up and when people see it and act on it, which is one of the reasons that George H.W. Bush...

PERINO: Right.

WALLACE: ... lost in 1992.

And people have generally said they've got to begin to turn this around -- people have got to really begin to feel it by August or September at the latest. We're getting pretty close to August and it doesn't look that good.

PERINO: I think it's very close, and that's why I think that the oil spill actually hurts us. The -- 9.2 million jobs, I believe it is, are in the American petroleum industry. That's how many Americans work in the industry. And if we send signals that shallow water drilling is going to be off-limits, oh, no, it's on limits, back on again -- 24 hours, they had three different statements out of the administration. And these are capital-intensive projects where you have to spend a

lot of money. And if they're not -- if they're not convinced that they're not -- that they are going to be able to do those projects, they will go elsewhere and it won't be in America. And those jobs won't come back.

WILLIAMS: You know, it's just incredible to me that the right in this country on one hand says, "Oh, yeah, we need more drilling," and then wants to blame people when you have drilling that results in this terrible...

PERINO: I'm not blaming anybody, but...

WILLIAMS: ... historical oil spill.

PERINO: ... it's true. But it is...

WILLIAMS: Well, then, OK, then. You're going to have to take that account -- OK, so you want drilling that will potentially create ecological disasters.

PERINO: Well, but are you going to stop driving? I mean, it's amazing to me that anyone who might support production is the villain, but anybody who's the consumer is the angel.

WILLIAMS: No. It's just you have to at some point say that big business and big oil has to be held accountable for their behavior.

PERINO: They are -- and I think that they are willing...

KRISTOL: Look, can I just say...

PERINO: ... and they're willing to have more regulation.

KRISTOL: ... the other thing is Obama's targeting all these industries, which gets (inaudible) short-term political help, I suppose, is bad for the economy. I'm not a big believer in these psychological factors normally, but I've talked to enough business men now who say, "What is it? You get somewhat at odds with this administration on some policy issue, and suddenly you're demonized."

The health insurance industry, the oil industry, the financial industries -- that's an awful lot of industries in America who are shying away from expanding, shying away from taking risks, because God knows whether they'll be under -- in the crosshairs of the Obama administration in the next few months.

(UNKNOWN): Very quickly...

(CROSSTALK)

LIASSON: ... think they'll be criticized?

KRISTOL: No, and because the policies...

LIASSON: They're going to do things that are in their economic self-interest.

KRISTOL: And because the -- and they're going to invest in the -- in the -- they're going to try to do some deepwater drilling.

WALLACE: Mara, do you think...

KRISTOL: And suddenly they're going to shut it down.

WALLACE: ... do you think that the -- I mean, what's the argument, if things stay relatively the same, that the Obama administration's going to be able to make to the American people in the fall campaign about the economy?

LIASSON: You're saying if things stay the same as this last jobs report, if this is the norm?

WALLACE: Well, as where we are now...

LIASSON: Look, it's going to be...

WALLACE: ... 9.7 percent (inaudible).

LIASSON: It's going to be very -- look, they're going to make an argument that they've turned the corner, that it's going in the right direction, that of course it isn't good enough. It's not going to be unlike Ronald Reagan. He weathered a mid-term not unlike this and lost this historic average of seats...

WILLIAMS: Bill, I don't see how you can make...

LIASSON: ... 26. They're in a terrible -- in the teeth of a very big recession, and he wanted to stay the course. And if this -- if the economy can get back to where it was in the previous month and continue going in that direction, I think they have a better argument.

WALLACE: All right. Thank you, panel. See you all next week.

And don't forget to check out the latest edition of "Panel Plus" where our group here continues the discussion on the Web site, foxnewssunday.com. We promise we'll post the video before noon Eastern time.

Up next, our Power Players of the Week.

WALLACE: It's become a tradition around here to sample some of the advice college graduates are getting at their commencements. The speakers this year include a television star, the president and a Super Bowl quarterback. And they're all our Power Players of the Week.

(BEGIN VIDEOTAPE)

(BEGIN VIDEO CLIP) DREW BREES: They say that experience is what you gain when you don't get what you want. And I can promise you that over the next few years you will gain experience. You will not always get what you want. You will face adversity. But know that the sky is the limit as to what you can all accomplish.

(END VIDEO CLIP)

(BEGIN VIDEO CLIP)

JULIANNA MARGULIES: Now, don't get me wrong. I love making money.

(LAUGHTER)

I love it. Really, I love it.

(LAUGHTER)

You have to remember, you will more likely find that pot of gold if you follow your passion, are driven to succeed and open to learning more as you go.

(END VIDEO CLIP)

(BEGIN VIDEO CLIP)

GLENN BECK: Respect others. Know that they are most likely afraid, just like you. In fact, the more arrogant and the more forceful they become, I have found the more afraid they really are.

(END VIDEO CLIP)

(BEGIN VIDEO CLIP)

BARACK OBAMA: Years from now when you return here, when for you the shadows have grown longer, I have no doubt that you will have added your name to the book of history. I have no doubt that we will have prevailed in the struggles of our times.

(END VIDEO CLIP)

(BEGIN VIDEO CLIP)

CURT SCHILLING: What you do for yourself in life dies with you. What you do for others lives forever. I do believe the Lord put us on this earth to make a positive impact, to make a difference in other people's lives.

(END VIDEO CLIP)

(BEGIN VIDEO CLIP)

GOVERNOR BOB MCDONNELL: No matter whether your first job is as the receptionist or the president of the company, work hard every day to be your best and to pursue excellence, because people will notice and new opportunities will come for your pursuit of excellence.

(END VIDEO CLIP)

(BEGIN VIDEO CLIP)

MERYL STREEP: If you somehow get that documentary edited on a shoestring budget, and then it's accepted at Sundance, and then maybe it wins Sundance, and then you go on to be nominated for an Oscar, and then you win the Oscar, I guarantee you, someone you know or love will come to you and say, "Will you address the graduates at my college?"

(LAUGHTER)

(END VIDEO CLIP)

(END VIDEOTAPE)

WALLACE: And our best wishes to the class of 2010 and especially to their parents. And that's it for today. Have a great week and we'll see you next "Fox News Sunday."

**LOAD-DATE:** June 6, 2010

**LANGUAGE:** ENGLISH

**TRANSCRIPT:** 060603cb.250

**DOCUMENT-TYPE:** Show

**PUBLICATION-TYPE:** Transcript

333 of 1000 DOCUMENTS

Fox News Network

**June** 6, 2010 Sunday

**SHOW:** FOX NEWS SUNDAY 9:00 AM EST

## **Fox News Sunday Roundtable**

**BYLINE:** Bill Kristol, Mara Liasson, Dana Perino, Juan Williams, Chris Wallace

**SECTION:** NEWS; Domestic

**LENGTH:** 3874 words

(BEGIN VIDEO CLIP)

OBAMA: If laws are inadequate, laws will be changed. If oversight was lacking, it will be strengthened. And if laws were broken, those responsible will be brought to justice.

(END VIDEO CLIP)

WALLACE: President Obama in his weekend address trying once again to get out ahead of the **gulf oil spill**.

And it's time now for our Sunday panel of Fox News contributors, Bill Kristol of The Weekly Standard, Mara Liasson of National Public Radio, former White House press secretary Dana Perino, and Juan Williams, also from National Public Radio.

Well, I think it's fair to say, Bill, it was a tough week for the president -- growing criticism over his response to the **gulf oil spill**, growing controversy over the White House offering jobs to two Democrats in Colorado and Pennsylvania to try to get them out of contested primaries.

And suddenly, the new narrative in Washington is that the vaunted Obama team is a bunch of bunglers. Fair?

KRISTOL: No. I mean, I think it's always a good idea in my -- as a staff guy, let me defend the Obama staff guy -- former staff guy. The staff always gets too much credit and too much blame. And ultimately, President Obama made the decision about how to handle this -- the gulf oil crisis.

I mean, I do believe it when he says he personally has been running this from the first day. That's my impression from talking to people close to the White House.

He presumably, you know, has confidence in his chief of staff and deputy chief of staff and told them to try to clear the field of these -- in these Senate races.

He's the one who gave the Cairo speech a year ago -- it was a year ago two days ago -- which doesn't seem to have worked out so well in the Middle East.

It's his stimulus package. So I don't think it's a problem of public relations. It's not a problem that the communications team doesn't do a good job getting their message out. It's a problem with the policies.

WALLACE: Well, and there's also a question -- it's interesting how that turned from a compliment (inaudible) but...

LIASSON: That's Bill's specialty.

(LAUGHTER)

WALLACE: But I mean, it's also a question of crisis management, isn't it?

LIASSON: Well, first of all, you're talking about two different things. Crisis management on the gulf, definitely. And that's something that was beyond their control. The other things that they have...

(CROSSTALK)

WALLACE: Well, the way to manage it wasn't beyond the...

LIASSON: No, no, but this was a big unprecedented problem.

The other thing that happened to them which got a lot of the criticism about the political operation was the job offers to Joe Sestak and Romanoff in Colorado. Now, that was unforced error, completely, I think. I separate the gulf into a different category.

But the fact is that was a kind of ham-handed political act. It's something that's been done by every single administration in the past, to clear the field for an incumbent or a favored candidate.

Then they proceeded to wait a very long time, an inexplicably long time, to explain what happened. And then when they did explain what happened, at least in Sestak, they didn't answer all the questions. And it's morphed -- and we've all seen this movie before. It's now morphed into this call for an investigation. And this is what happens in Washington.

I haven't talked to any expert who thinks something criminal or unethical occurred. However, the Department of Justice is going to be under a lot of pressure now to investigate it, if only to clear the air, to make sure no statutes were violated.

And I don't know if they're going to be able to resist that pressure. It's always kind of the cover-up or the stonewall that gets you.

WALLACE: Dana, Mark Penn, who was Hillary Clinton's top strategist in the 2008 campaign, has just written an essay for Huffington Post, and let's put up part of it on the screen. "President Obama's political career and clout have never been in a more perilous state. Voters across the country are wondering if they underestimated the value of experience and crisis management as important attributes for their president." Allowing for some sour grapes coming still from the 2008 campaign from Mr. Penn, this is coming from a top Democratic strategist.

PERINO: Right, and he's not the only one. But he says -- obviously, he says it very well. And I should say that, you know, I have a working relationship with Mark. And when I read that, it reminded me of going back to the campaign. And it all came down to the question of who's got the most experience.

Well, when you're in a campaign, that's really a communications effort. You're convincing people to vote for you. But then governing is very different. And I remember during the election listening to all the candidates and thinking they're probably going to have to eat some words once they start governing, because it's a lot different. And I think that they found that out.

WALLACE: And what do you think the last couple of weeks have demonstrated about the ability of the Obama team to govern?

PERINO: Well, I think a couple of things. One is the self-inflicted wound with Romanoff and Sestak. They -- I want to disagree with Mara where she -- where -- I know that everybody is saying this happens all the time. But the quid pro quo and offering a job is very explicitly against the law.

And so I do think that because they've erected this cloud of suspicion over them, the best thing that they could do for themselves politically in the long run is to have an independent review, because then from a communications standpoint they could say, "There's an independent review. We're focused on the Middle East, the economy," whatever they want to focus on, instead of having this distraction.

WALLACE: Wait a minute. We had an independent review of Valerie Plame. We had an independent review of Monica Lewinsky. Those didn't work out so well for those White Houses.

WILLIAMS: No, but it's a waste of time. The whole thing is a -- I mean, it's an incredible indulgence. It's just, you know, the kind of thing that makes Americans furious with Washington, finger-pointing, blame-gaming.

Everybody knows politics happens in Washington. I think the problem here is this is an administration that, as Hillary Clinton famously pointed out, you may not want to have answer the 3:00 a.m. call.

These are guys who have tremendous vision about legislative achievements and specific things like health care, going forward on immigration, those difficult issues for America that America so far has failed to deal with.

But when it comes to the crisis, when it comes to the **gulf oil spill**, the wars, the recession, they feel as if it's being imposed upon them, rather than taking the helm. I think that's what Americans are sensing right here. And I think it's the source of their problem at the moment. Are you able to handle a crisis in a convincing way that inspires confidence? And so far, the president hasn't done that.

Now, some say he should just go into a rage. I don't think that's who Barack Obama is. I think he's a pretty cool character, fairly analytical, and I think we all admire as part of the meritocracy in America. Those are people who are really smart. But you know what? They don't know how to deal with this crisis, and I think lots of Americans therefore are blaming the president, fairly or unfairly.

WALLACE: Bill, we've got another aspect of this, and we've got less than two minutes. In the case of the White House offering jobs to Democratic candidates -- and whether it was illegal, or improper, or unethical or just dumb -- the Web site Politico said that it was a mixture of Richard Daley, the famous machine boss mayor of Chicago, and Barney Fife from "The Andy Griffith Show."

You know, the White House is trying to play hardball politics. They offered these jobs. And the guys ignored them. So I mean, they -- on the one hand, they look like they're cynical and politicians. On the other hand, they look hapless.

KRISTOL: Well, that's right. I'm sorry if I'm slow in responding, but I'm still so stunned by Juan Williams just having thrown the Obama administration under the bus.

WILLIAMS: Oh, stop.

KRISTOL: That was a wonderful moment here on "Fox News Sunday."

WILLIAMS: Right.

KRISTOL: And I just want to relish it...

(CROSSTALK)

KRISTOL: I think we should all relish it for a couple of seconds before I answer Chris' good question.

WILLIAMS: Wait, telling the truth is...

(CROSSTALK)

KRISTOL: You're right. Telling the truth is great. I totally agree. They're not up to managing these serious crises and to really dealing with the real fundamental challenges out there. Otherwise he's a good president, you know?

In terms of the -- it would have helped -- if you're going to put all your weight behind Arlen Specter in a big primary in Pennsylvania, it would be helpful if Arlen Specter won the primary. Yes. So it's bad -- it's bad to muck around politically, do things that might cost a lot or might not legally, and then lose.

And now Andrew Romanoff in Colorado, who's trailing Michael Bennet, the incumbent senator, the appointed senator, seems to be using the White House attempt to pressure him in the primary to try to gain ground on the -- on the incumbent.

WALLACE: I was -- I was going to say, Mara, I mean, to a certain degree both of these Democratic insurgents, Sestak and Romanoff, are using as capital the fact that they stood up to the White House.

LIASSON: Yes, but both of these stories came up kind of inadvertently. Romanoff and Sestak didn't go out to say, "Look, they offered me a job and I rejected them. I'm independent." That isn't how this...

WALLACE: Well, Sestak didn't say it...

(CROSSTALK)

WALLACE: ... in the interview.

LIASSON: Sestak answered a question.

WALLACE: He wasn't waterboarded.

LIASSON: He answered a question. He answered a question. But the ironic thing is -- I agree with Bill -- it would have been better, if you go out to try to do something -- what is it? If you go to try to kill the king, you better actually kill him? Effectiveness is always better than some reputation for ethics.

But in Pennsylvania, in the end, they might have ended up with a better candidate. You can't say that it's better if Arlen Specter had been nominated. Look how damaged he was. I think Sestak actually has a better chance.

Romanoff, I think, is trying to improve his image and trying to say, "Look, I rebuffed their entreaties." But I don't think he's going to win there.

I think this is a real problem of their own making, as Dana said, and I think that an investigation, an independent investigation, always morphs into something bigger. You get into obstruction. Always more of a headache than it's worth.

WALLACE: All right. We have to take a break here.

But when we come back, new job numbers send the stock market plummeting. We'll ask our panel if even tougher economic times are ahead.

WALLACE: On this day in 1944 Allied forces landed on the beaches of Normandy. The D-day operation began the march across Europe to defeat Hitler's Nazi Germany.

Stay tuned for more from our panel and our Power Players of the Week.

(BEGIN VIDEO CLIP)

OBAMA: This is the fifth month in a row that we've seen job gains. This report is a sign that our economy is getting stronger by the day.

(END VIDEO CLIP)

WALLACE: President Obama talking up the latest numbers Friday showing the economy added 431,000 jobs. But the stock market, as you can see, had a very different reaction, plunging 323 points, or more than 3 percent.

And we're back now with our Sunday group.

And here's why the stock market took such a dim view of the job numbers in May. Let's put it up on the screen. Four hundred -- yes, 431,000 jobs were added, but only 41,000 of those were private sector employment. All the rest were government census hires, and those are, of course, temporary.

So, Dana, how much do those numbers undercut President Obama's effort to sell an economic recovery?

PERINO: Very much so. I think obviously the administration had already had a very bad week. And then on Friday they had the disastrous jobs report.

One of the things that was fascinating to me from a communications standpoint is that earlier in the week in, obviously, a coordinated effort, because President Obama, Vice President Biden, the press secretary -- even President Obama in prepared remarks from the Teleprompter talked up the jobs report early in the week and said we expect a good jobs report on Friday. And then it wasn't a good jobs report. And they did nothing to temper that back. Even if they had only known 24 hours ahead of time they could have started to dial back expectations, but they chose not to.

And so now, remember, all those 400,000 people that have temporary jobs -- they'll be laid off this summer. And so going into November, it looks quite perilous, with the oil spill, the deficit, health care reform and this now, a weak private sector job market. They're in some serious trouble.

WILLIAMS: Well, I think there's some -- there's some good stuff here. Manufacturing was up, longer work week for people. I mean, look. This administration didn't create this recession, in much the way they didn't create the war. They didn't spill the oil. I mean, but they're having to cope with these crises.

And in terms of what we're seeing on the jobs side, I think there's real intransigent on the Hill. Yes, they extended unemployment benefits this week. But you know what? Are they willing to put in more stimulus spending in order to ensure that we don't suffer or fall back into another double dip as some are worrying about? Which is why you see a reluctance on the part of private sector employers to go out and do hiring.

Forty thousand jobs were added, but I think people expected many more. And in combination with what we're seeing in Greece, in Hungary, the European instability, it makes people nervous.

That's not a result of anything the Obama administration is doing. I think it's just a result of world events. And it's not a time, I think, for finger pointing so much as it is time for us to come together and make some hard decisions about what's needed in terms of political impetus to stimulate this economy once more.

WALLACE: Bill, are you going to come together or are you going to finger point?

KRISTOL: Finger point, of course!

(LAUGHTER)

KRISTOL: At Juan. At Juan.

(CROSSTALK)

KRISTOL: Juan is the only person in America who thinks that if the government goes further into debt that will encourage private sector employers to hire more.

Look, Obama inherited a recession. The economy is coming out of the recession, as it always does. But the Obama administration policies are burdening the economic recovery and slowing it down.

Taxes are going up. The health care bill is a big burden on employers. This recent decision to shut down the ongoing deep drilling in the gulf is going to put people out of work. Those are just facts.

I mean, there's not a -- one economist in the country who thinks the Obama administration's policies are making it easier for the private sector to hire. They're discouraging hiring. And as a result we're having a very sluggish and anemic recovery.

WILLIAMS: I don't think they're discouraging...

LIASSON: Well, that's certainly the Republican...

(CROSSTALK)

WALLACE: Wait a minute. Let Mara in.

LIASSON: That certainly is the Republican argument. Now, the White House and other economists will say without the stimulus bill, the economy would have been worse. Now, that's not a very satisfying political argument to say things could have been worse.

But the fact is that everyone was surprised by these jobs reports. People were expecting something much better. If this is a blip, if this is just a one-month dip and then it kind of recovers into its slow but steady, not completely satisfactory but going in the right direction progress, I think the president's going to be OK.

But if this is a sign that we're going to have some kind of a double-dip recession, I think he's in tremendous problem -- trouble.

WALLACE: You don't...

LIASSON: The single most important issue for the midterm elections is the economy.

WALLACE: Well, and let's talk about this in the context of the midterm elections, because I think the general political wisdom is that there's a lag time between when the economy actually does start to pick up and when people see it and act on it, which is one of the reasons that George H.W. Bush...

PERINO: Right.

WALLACE: ... lost in 1992.

And people have generally said they've got to begin to turn this around -- people have got to really begin to feel it by August or September at the latest. We're getting pretty close to August and it doesn't look that good.

PERINO: I think it's very close, and that's why I think that the oil spill actually hurts us. The -- 9.2 million jobs, I believe it is, are in the American petroleum industry. That's how many Americans work in the industry. And if we send signals that shallow water drilling is going to be off-limits, oh, no, it's on limits, back on again -- 24 hours, they had three different statements out of the administration. And these are capital-intensive projects where you have to spend a

lot of money. And if they're not -- if they're not convinced that they're not -- that they are going to be able to do those projects, they will go elsewhere and it won't be in America. And those jobs won't come back.

WILLIAMS: You know, it's just incredible to me that the right in this country on one hand says, "Oh, yeah, we need more drilling," and then wants to blame people when you have drilling that results in this terrible...

PERINO: I'm not blaming anybody, but...

WILLIAMS: ... historical oil spill.

PERINO: ... it's true. But it is...

WILLIAMS: Well, then, OK, then. You're going to have to take that account -- OK, so you want drilling that will potentially create ecological disasters.

PERINO: Well, but are you going to stop driving? I mean, it's amazing to me that anyone who might support production is the villain, but anybody who's the consumer is the angel.

WILLIAMS: No. It's just you have to at some point say that big business and big oil has to be held accountable for their behavior.

PERINO: They are -- and I think that they are willing...

KRISTOL: Look, can I just say...

PERINO: ... and they're willing to have more regulation.

KRISTOL: ... the other thing is Obama's targeting all these industries, which gets (inaudible) short-term political help, I suppose, is bad for the economy. I'm not a big believer in these psychological factors normally, but I've talked to enough business men now who say, "What is it? You get somewhat at odds with this administration on some policy issue, and suddenly you're demonized."

The health insurance industry, the oil industry, the financial industries -- that's an awful lot of industries in America who are shying away from expanding, shying away from taking risks, because God knows whether they'll be under -- in the crosshairs of the Obama administration in the next few months.

(UNKNOWN): Very quickly...

(CROSSTALK)

LIASSON: ... think they'll be criticized?

KRISTOL: No, and because the policies...

LIASSON: They're going to do things that are in their economic self-interest.

KRISTOL: And because the -- and they're going to invest in the -- in the -- they're going to try to do some deepwater drilling.

WALLACE: Mara, do you think...

KRISTOL: And suddenly they're going to shut it down.

WALLACE: ... do you think that the -- I mean, what's the argument, if things stay relatively the same, that the Obama administration's going to be able to make to the American people in the fall campaign about the economy?

LIASSON: You're saying if things stay the same as this last jobs report, if this is the norm?

WALLACE: Well, as where we are now...

LIASSON: Look, it's going to be...

WALLACE: ... 9.7 percent (inaudible).

LIASSON: It's going to be very -- look, they're going to make an argument that they've turned the corner, that it's going in the right direction, that of course it isn't good enough. It's not going to be unlike Ronald Reagan. He weathered a mid-term not unlike this and lost this historic average of seats...

WILLIAMS: Bill, I don't see how you can make...

LIASSON: ... 26. They're in a terrible -- in the teeth of a very big recession, and he wanted to stay the course. And if this -- if the economy can get back to where it was in the previous month and continue going in that direction, I think they have a better argument.

WALLACE: All right. Thank you, panel. See you all next week.

And don't forget to check out the latest edition of "Panel Plus" where our group here continues the discussion on the Web site, foxnewssunday.com. We promise we'll post the video before noon Eastern time.

Up next, our Power Players of the Week.

WALLACE: It's become a tradition around here to sample some of the advice college graduates are getting at their commencements. The speakers this year include a television star, the president and a Super Bowl quarterback. And they're all our Power Players of the Week.

(BEGIN VIDEOTAPE)

(BEGIN VIDEO CLIP) DREW BREES: They say that experience is what you gain when you don't get what you want. And I can promise you that over the next few years you will gain experience. You will not always get what you want. You will face adversity. But know that the sky is the limit as to what you can all accomplish.

(END VIDEO CLIP)

(BEGIN VIDEO CLIP)

JULIANNA MARGULIES: Now, don't get me wrong. I love making money.

(LAUGHTER)

I love it. Really, I love it.

(LAUGHTER)

You have to remember, you will more likely find that pot of gold if you follow your passion, are driven to succeed and open to learning more as you go.

(END VIDEO CLIP)

(BEGIN VIDEO CLIP)

GLENN BECK: Respect others. Know that they are most likely afraid, just like you. In fact, the more arrogant and the more forceful they become, I have found the more afraid they really are.

(END VIDEO CLIP)

(BEGIN VIDEO CLIP)

BARACK OBAMA: Years from now when you return here, when for you the shadows have grown longer, I have no doubt that you will have added your name to the book of history. I have no doubt that we will have prevailed in the struggles of our times.

(END VIDEO CLIP)

(BEGIN VIDEO CLIP)

CURT SCHILLING: What you do for yourself in life dies with you. What you do for others lives forever. I do believe the Lord put us on this earth to make a positive impact, to make a difference in other people's lives.

(END VIDEO CLIP)

(BEGIN VIDEO CLIP)

GOVERNOR BOB MCDONNELL: No matter whether your first job is as the receptionist or the president of the company, work hard every day to be your best and to pursue excellence, because people will notice and new opportunities will come for your pursuit of excellence.

(END VIDEO CLIP)

(BEGIN VIDEO CLIP)

MERYL STREEP: If you somehow get that documentary edited on a shoestring budget, and then it's accepted at Sundance, and then maybe it wins Sundance, and then you go on to be nominated for an Oscar, and then you win the Oscar, I guarantee you, someone you know or love will come to you and say, "Will you address the graduates at my college?"

(LAUGHTER)

(END VIDEO CLIP)

(END VIDEOTAPE)

WALLACE: And our best wishes to the class of 2010 and especially to their parents. And that's it for today. Have a great week and we'll see you next "Fox News Sunday."

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**PUBLICATION-TYPE:** Transcript

335 of 1000 DOCUMENTS

Fox News Network

May 14, 2010 Friday

SHOW: FOX SPECIAL REPORT WITH BRET BAIER 6:00 PM EST

## Political Headlines

**BYLINE:** Shannon Bream, David Lee Miller, Major Garrett, Carl Cameron, Catherine Herridge, Mike Emanuel, James Rosen, Jim Angle, Anita Vogel, Alicia Acuna

**SECTION:** NEWS; Domestic

**LENGTH:** 5127 words

SHANNON BREAM, HOST: Next on SPECIAL REPORT. President Obama lashes out at what he calls a cozy relationship between big oil and big government. We'll preview the high-stakes battle for the Pennsylvania democratic senate nomination. And could Elena Kagan's history in the executive branch provide a glimpse of what she would be like on the Supreme Court?

Live from our studio in Washington, this is special report.

Good evening, I'm Shannon Bream in tonight for Bret Baier. President Obama says, the federal government shares responsibility for the conditions that lead to the disaster's **gulf oil spill** and he vows today, the things are going to change. We have FOX team coverage, Senior White House Correspondent Major Garrett will show us the president's outburst but we begin with Correspondent David Lee Miller in Venice, Louisiana with the latest on efforts to stop the flow of oil. Good evening, David.

David Lee Miller, fox correspondent: Shannon, government officials and BP have repeatedly said that the oil leak in the gulf is gushing at a rate of more than nearly 200,000 gallons a day. Now some scientists say that rate could be much higher. How much higher? Twelve times as much. And that would mean in excess of over two million gallons daily. And if true, that means more oil has already spilled into the gulf and during the entire Exxon Valdez disaster in Prince William Sound in 1989.

Bp says, its main focus now is containing the spill. Authorities are trying to insert a six-inch tube into the 21-inch pipe that is spewing oil. The plan is to siphon off the oil as if it were a straw and then bring it to a tanker on the surface. Bp says, it expects the plan to work but has a contingency in place.

(BEGIN VIDEO CLIP)

DOUG SUTTLES, BP COO: Our second alternative to capture the flow is the top-hat system. The top-hat is currently sitting on the sea floor. It is available as our alternative choice. I think, as everyone knows the people of this region and all of us associated with this exercise knows the most important thing to do is to find a way as expediently as possible to stop the flow.

(END VIDEO CLIP)

MILLER: Meanwhile, by product of this bill are balls of tar created by the oil residue. They are now working up an area of digits. Some of the tar balls of the size of pancakes, others have circumference of a nickel. Also, significant amount of oil are washing up on a Louisiana Island that is being used as a bird sanctuary. Wildlife workers have rescued brown pelican, a state bird, it that was coated with oil. But the fear is there going to be more endangered animals and they will not receive the same type of medical attention.

There is some good news tonight. Authorities say, they believe most of the oil is largely offshore. And that is where they want to keep it. A part of this massive clean-up operation, they are using containment booms as well as chemicals to try and that clean up the oil, but there is still a great deal of uncertainty tonight, just how much oil is actually out there and when if ever will it all be cleaned up -- Shannon.

BREAM: David Lee Miller, thank you. Well, the president said there is plenty of blame to go around for the continuing oil spill disaster. Senior White House Correspondent Major Garrett reports on a president growing increasingly frustrated.

(BEGIN VIDEOTAPE)

MAJOR GARRETT, FOX NEWS (voice-over): The White House released this photo of a mini cabinet meeting on the **gulf oil spill** hoping to convey the image of presidential action. But as President Obama prepared to update the nation on the spill's ever-widening arc of environmental devastation, a sense of helplessness gripped the federal government, from the failed efforts to stop the leak or the inability even to say how much oil is leaking every day from one mile under water.

(BEGIN VIDEO CLIP)

BARACK OBAMA, PRESIDENT OF THE UNITED STATES: There have been varying reports over the last few days about how large the leak is. But since no one can get down there in person, we know there is a level of uncertainty.

(END VIDEO CLIP)

GARRETT: The rig operator British oil giant BP sees mounting failures. First, the explosion followed by few efforts to cap the well or trap the oil.

(BEGIN VIDEO CLIP)

SUTTLES: We don't know why they didn't work. What we're doing now is applying the best minds, the best capabilities and we're actually doing things that haven't been done before.

(END VIDEO CLIP)

GARRETT: Environmentalists say, the flow of oil and plague, it's spreading are much worse than previously disclosed.

(BEGIN VIDEO CLIP)

BILL SNAPE, CTR FOR BIOLOGICAL DIVERSITY: This is probably the greatest environmental disaster in American history, upwards of 25,000 barrels of oil are still leaking every day.

(END VIDEO CLIP)

GARRETT: That makes the president mad and he lowered the boom internally and externally, much harder externally ridiculing testimony before Congress this week from the three companies involved in the leak.

(BEGIN VIDEO CLIP)

OBAMA: I did not appreciate what I considered to be a ridiculous spectacle, with executives of BP, Transocean and Halliburton, falling over each other to point the finger of blame at somebody else.

(END VIDEO CLIP)

GARRETT: With Interior Secretary Ken Salazar at his side, Mr. Obama also said, cozy relationships between the oil industry and the minerals management service that reports to Salazar led to environmental shortcuts. But critics say, the fault lies squarely with Salazar who stood by while his regulators exempted BP's now leaking deepwater horizon project from an environmental impact study and development of an oil leak response plan that might have lessened the ecological catastrophe.

(BEGIN VIDEO CLIP)

SNAPE: Had the proper environmental review procedures been followed, there is a high chance that this permit would not have been issued and there's almost a certainty that we would have a better response than we're having right now.

(END VIDEO CLIP)

(END VIDEOTAPE)

GARRETT (on camera): The president said he wants the oil leak capped ASAP, but everyone knows that is not going to happen. The president also praised the use and deployment of hundreds of thousands of gallons of chemical dispersants, but there is mounting evidence that those dispersants may be harming, maybe even killing the sea life, including the birds, tortoises, sea turtles rather and dolphins -- Shannon.

BREAM: All right. No easy solutions. Major Garrett at the White House. Thank you.

America's elections headquarters starts off tonight in Pennsylvania where democrats have a big choice to make next Tuesday. Do they support a former republican who is running for senate under their flag for the first time, or go with the democratic congressman looking to switch jobs? Chief Political Correspondent Carl Cameron has a preview from Philadelphia.

(BEGIN VIDEOTAPE)

CARL CAMERON, FOX NEWS (voice-over): Congressman Joe Sestak underdog in Pennsylvania's white-hot senate democratic primary has come from behind to lead last-minute polls by sowing voter distrust of 80-year-old incumbent republican turned Democratic Senator Arlen Specter.

(BEGIN VIDEO CLIP)

REP. JOE SESTAK (D-PA), US SENATE CANDIDATE: There is no way we'll going to trust the current politician who help get us in to this mess. After 30 years down there, and then said, I'm going to switch the party, after dancing with republican agenda.

(END VIDEO CLIP)

CAMERON: Endorsed today by the Philadelphia area black clergy. Specter once thought running as a democrat would be easier this year, but both parties distrust this history of changing parties. And positions, at his own defense.

(BEGIN VIDEO CLIP)

ARLEN SPECTER (D), Pennsylvania senator: There has been an independent record and it has been a record where I evaluate one what is good for the people of my state and nation and vote accordingly.

OBAMA: He is going to fight for you regardless of what the politics are. I love you and I love Arlen Specter!

(END VIDEO CLIP)

Cameron: Specter tops the president support on the air but will get no last-minute visit. Mr. Obama did that in New Jersey and Massachusetts and democrats lost. Sestak uses history like a knife to undercut Specter's presidential support.

(BEGIN VIDEO CLIP)

UNIDENTIFIED MAN: Arlen Specter is the right man for the United States senate. I can count on this man. See, that's important. He's a firm ally.

UNIDENTIFIED MAN: Arlen Specter switched parties to save one job. His, not yours.

(END VIDEO CLIP)

CAMERON: Specter attacked Sestak's military service.

(BEGIN VIDEO CLIP)

UNIDENTIFIED MAN: Joe Sestak, relieved of duty in the navy for creating a poor command client.

(END VIDEO CLIP)

CAMERON: Retired Admiral Sestak has not relieved his military papers and said he asked to step down because his daughter developed brain cancer. The real clip politics average of the latest poll shows Sestak leading 44- 41 percent. Sestak also hitting Specter for signaling the hill support Supreme Court nominee Elena Kagan, even though he was the only democrat to oppose her for solicitor general last year.

(BEGIN VIDEO CLIP)

SESTAK: He takes his decision on Supreme Court justices on how they affect the electoral prospects.

(END VIDEO CLIP)

CAMERON: Facing cons and questions about split -- character and principles, Specter says, his skin is thicker than a rhinoceros.

(BEGIN VIDEO CLIP)

SPECTER: It does not hurt me. I am in a tough line of work and I'm used to being challenged.

(END VIDEO CLIP)

(END VIDEOTAPE)

CAMERON (on camera): When Specter quit the GOP. to run for senate as a democrat, he shot to the top of the polls last year and many democrats said that the nomination was essentially his to lose. It looks that he may in fact do that come Tuesday. Last year, Specter quit the GOP., come Tuesday, the democrats may quit him -- Shannon.

BREAM: It is going to be a good one on Tuesday, Carl. Glad you're there, thanks.

Well, Sarah Palin picked her candidate in the South Carolina governor's race. The former Alaska governor is endorsing State Representative Nikki Haley, the only woman in the contest. And Palin says, women who she calls "Mama Grizzlies" will lead a national republican wave in November. You can go behind the scene. Look at some of the most interesting House and Senate races this election year, join Bret Baier at 9:00 Eastern Time this Sunday for the first in a series of fox News specials titled "Inside Campaign 2010."

President Obama pick to run a custom and border protection agency may have some immigration issues of his own. And more arrests in the Times Square bombing plot.

BREAM: We have word of new arrests tonight in the Times Square bombing attempt. National Correspondent Catherine Herridge is here with details. Good evening Catherine.

CATHERINE HERRIDGE, FOX NEWS: Thank you, Shannon. A senior u.s. official tells fox that there had been a handful of arrests in Pakistan as a result of the Times Square investigation. All of the men are believed to have ties to the Pakistani Taliban. Among the group a friend of Faisal Shahzad who was picked up May 5th in Karachi. Pakistani intelligence sources tell fox the man, quote, "confessed to having ties with the Pakistani Taliban and he may be the link between Shahzad and his senior member of the group identified to fox as Kari Hussein."

And tonight, new information about the three men picked up during raids in Boston, New Jersey and Long Island. Authorities say that they supplied money to Shahzad but it's not clear whether they knew it was for the bomb plot. And based on surveillance video, authorities believe Shahzad got money during a handoff at a Dunkin' Donuts in Long Island, New York.

Separately, analyst report more chatter on Jihadists websites involving the names of Major Nidal Hasan, the alleged shooter at Fort Hood. Abdulmutallab, the suspect in the attempted Christmas Day bombing and Faisal Shahzad, the Times Square suspect. One website said, quote, "The average Muslim does not need to go to Afghanistan or Pakistan in order to attend training camps and learn how to fight the American enemy. Likewise, he does not need to be an expert or professional in making bombs or explosives to attack the u.s."

Other chatters encourage followers to leave suspicious packages like suitcases full of books in public places, so the American public becomes desensitized to threats. The Jihadists public apathy will mean a real device is more effective in the future -- Shannon.

BREAM: All right. Frightening news. Catherine, thank you.

HERRIDGE: You're welcome.

BREAM: In world news, troops in Thailand opened fire on anti- government protesters in Bangkok today. Ten people were killed, almost 125 wounded. Demonstrators called red shirts that occupied a portion of the capital city since mid-March. Violence escalated after Thursday shooting of a rogue army general regarded as an advisor for the red shirts.

The leader of U.S. and Nato Forces in Afghanistan says, momentum for insurgents has stopped but no one is winning at this point. General Stanley McChrystal said on PBS that the success of the allied effort is dependent on the Afghan people believing in their own future.

At least, eight people were killed today in an attack at soccer match in Northern Iraq. About 120 others were wounded. The car bombing came as the new leader of Al-Qaeda in Iraq warn that Shiites are facing what he called dark days soaked with blood.

Al-Qaeda may be getting a helping hand from the Iranian government. That has not always been the case, but White House Correspondent Mike Emanuel reports from the Pentagon, the relationship apparently has evolved because of a common adversary.

(BEGIN VIDEOTAPE)

MIKE EMANUEL, FOX NEWS (voice-over): One week after Mahmoud Ahmadinejad was in New York, u.s. officials say, the regime in Tehran is allowing Al-Qaeda members to come and go as they please. A senior u.s. official tells fox there has been concern that some Al-Qaeda based in Iran have moved to other places. Tom Sanderson at the Center for Strategic and International Studies is an expert on intelligence and terrorism and says it isn't just low-level Al-Qaeda on the move.

(BEGIN VIDEO CLIP)

THOMAS SANDERSON, CTR Strategic and International Studies: There is indications that there are low-level and high-level. So, the high-level guys are of greater concern.

(END VIDEO CLIP)

EMANUEL: In 2001 after the U.S. led invasion of Afghanistan, many Al- Qaeda leaders fled to Iran and were arrested. But tracking Al-Qaeda there has been a major challenge, an intelligence black hole.

(BEGIN VIDEO CLIP)

PETE HOEKSTRA (R-MI), HOUSE INTELLIGENCE COMMITTEE: We know that it's problematic for us. And it's always been a little murky as to exactly how closely the Iranian regime was monitoring Al-Qaeda and managing their activities. But seeing this loosening up, that is not a surprise at all.

(END VIDEO CLIP)

EMANUEL: Conventional wisdom is the Shiite regime is generally hostile to the Sunni terror group, but Hoekstra says, they share common goals.

(BEGIN VIDEO CLIP)

HOEKSTRA: This is a marriage of convenience. Al-Qaeda has very, very specific objectives in terms of, you know, attacking the United States. Iran, they want to create as much mischief for us as they can.

(END VIDEO CLIP)

EMANUEL: Regarding the threat of such an alliance, experts say, just look at the role Iran has played supporting Hezbollah and Hamas.

(BEGIN VIDEO CLIP)

HOEKSTRA: They are able to provide them with tremendous amounts of technical assistance, money, weapons and training.

(END VIDEO CLIP)

(END VIDEOTAPE)

EMANUEL (on camera): Another deadly example is the support Iran has provided Shiite groups in Iraq. Experts suggest Iran is encouraging the Al-Qaeda fighters to go back to Afghanistan to launch attacks there, because the regime is hoping to see the u.s. fail -- Shannon.

BREAM: All right. Thank you very much, Mike.

California Governor Arnold Schwarzenegger has to terminate some big- ticket government spending. And the president's Supreme Court nominee spent four years in the Clinton White House. We're going to tell you what she was up to.

BREAM: Reviews from senators, both democrats and republicans, have been generally positive after meeting with Supreme Court nominee Elena Kagan this week, but Justice Anthony Kennedy is not happy with the way that some senators questioned candidates for the high court. Kennedy told an audience in Florida today that lawmakers should focus on whether or not a nominee would make a good judge.

(BEGIN VIDEO CLIP)

JUSTICE ANTHONY KENNEDY, U.S. SUPREME COURT: Just to ask questions to try to figure out how a judge would rule on a specific question seems to me a rather short-term exercise. What you should ask is whether the judge has the temperament, the commitment, the character, the learning to assume those responsibilities.

BREAM: Kagan has no judicial experience but she is a veteran of two presidential administrations. Correspondent James Rosen looks at Kagan's record in the Clinton years.

(BEGIN VIDEOTAPE)

JAMES ROSEN, FOX NEWS (voice-over): Edge to President Clinton during his second term drafted a manuscript for a book about race relations to be published under his name. The manuscript argued among other things that urban policeman were disproportionately stopping and searching minorities and added to just many examples, some horrific to ignore the problem. Reviewing that language in a memo on March 26, 1999, Elena Kagan then Deputy Director of the Domestic Policy Council urged it to be stricken from the book writing in the memos margin, I don't know what this refers to but I wonder whether we want to be arguing here. The episode showed that Kagan either because the underlying data was sketchy or out of political concerns did not wish to take on the law enforcement community and that she may be open to its appeals as a Supreme Court justice.

(BEGIN VIDEO CLIP)

JACK QUINN, CLINTON WHITE HOUSE COUNSEL: I have sat in many meetings with her, been involved in many conversations about very difficult legal issues. She is, as I say, just uncommonly sensible and smart.

(END VIDEO CLIP)

ROSEN: Kagan worked on gun control, native-American affairs, tobacco regulation and immigration reform. She advised Mr. Clinton who branded her memos with its distinctive left-handed check marks on ways that immigrants could be permitted to forestall deportation. Most members of Congress are approaching the issue cautiously, she told Mr. Clinton in March 1998, Representative Lamar Smith who will be critical to the outcome is playing his cards very closed to the vest. Kagan recommended the president off for his own bill and quote, privately refer to the possibility of executive action as a form of leverage.

(BEGIN VIDEO CLIP)

JOSH GOTTHEIMER, CLINTON SPEECHWRITER: I think one of her greatest strengths is consensus building. And obviously, on the court, it's an important virtue, would be an important virtue. In the White House, I witnessed firsthand her ability to bring people together even when they didn't necessarily agree.

(END VIDEO CLIP)

(END VIDEOTAPE)

ROSEN (on camera): As for the human side, Kagan complained in writing when she believed that another White House aide Maria Echaveste had failed to acknowledge work done by one of Kagan's staffers and when the agenda for one meeting was circulated with the space beneath all five topics left blank, Kagan wrote to her boss, "I'm sure glad they sent this around" -- Carl.

BREAM: Maybe a little sense of humor there as well.

ROSEN: And here as well.

BREAM: Thank you, James.

ROSEN: All right.

BREAM: Well, we're going to find out what Former First Lady Laura Bush thinks about Elena Kagan when she joins Chris Wallace on "Fox News Sunday." Here is a preview.

(BEGIN VIDEO CLIP)

CHRIS WALLACE, "fox News Sunday" host: How do you feel about President Obama naming Elena Kagan to be the, if she is confirmed, third woman justice serving on the supreme court at the same time. LAURA BUSH, FORMER FIRST LADY: I think it's great. I'm really glad that there will be three if she is confirmed. I like to have women on the Supreme Court.

WALLACE: Do you think it makes a difference?

BUSH: I think it does make a difference. And, you know, I just like women to be represented in all parts of American political and civic life.

(END VIDEO CLIP)

BREAM: It has been said that if you're not part of the solution, you are part of the problem. Well, we already know that most Hispanic groups are against the new Arizona immigration law. Tonight, Chief Washington Correspondent Jim Angle examines whether they have a better idea. We report, you decide.

(BEGIN VIDEOTAPE)

JIM ANGLE, FOX NEWS (voice-over): The roiling controversy over Arizona's immigration law has put Hispanic leaders in the center of the storm over what to do about illegal immigration.

(BEGIN VIDEO CLIP)

JANET MURGUIA, LA RAZA: We believe that immigration reform will to have different elements, enforcement, legalization.

REP. LUIS GUTIERREZ (D), Illinois: And we're going to make it clear, if you hire them, you're going to jail. And that's how we're going to help the enforcement agents on the boarder.

(END VIDEO CLIP)

ANGLE: Jail employers but not the 11 to 12 million illegal workers already here. Hispanic leaders since his day should face very different treatment.

(BEGIN VIDEO CLIP)

REP. RAUL GRIJALVA, (D), ARIZONA: People that are here that are law abiding, hard working, that paying their taxes have an opportunity to get in the back of the line and pay a fee and begin the process of legalization.

GUTIERREZ: And my solution is bring them out of the woodwork, punish them, find them, tax them. All right? Tax them.

MURGUIA: We do need to make sure that steps are taken so that can have an opportunity to be citizens.

(END VIDEO CLIP)

ANGLE: Hispanic leaders and activists are careful not to use the word "amnesty," but critics say, that's exactly what it is.

(BEGIN VIDEO CLIP)

MARK KRIKORIAN, CENTER FOR IMMIGRATION STUDIES: Making it sounds as though it's tough and punitive and they'll be forced to pay taxes in the future, this kind of thing, is all just the way to dressing up amnesty.

KRIS KOBACH, University of Missouri law professor: Even if you say, well, you have to learn English, you have to pay a fine, you are basically giving them what they have stolen. That is amnesty.

(END VIDEO CLIP)

ANGLE: But no matter what people call it, analysts say that makes President Obama's promise to tackle immigration reform early on less likely and forces him to walk a tightrope.

(BEGIN VIDEO CLIP)

KRIKORIAN: He wants to satisfy the constituency groups that are demanding amnesty, on the other hand, he understands that it's extraordinarily unpopular with the public and has no chance of passing Congress.

(END VIDEO CLIP)

ANGLE: One of the authors of the Arizona law argues that even talk of amnesty makes illegal immigration worse, as it did with the last big amnesty as in 1986.

(BEGIN VIDEO CLIP)

KOBACH: Why? Because people are coming in frauds -- to frauds suddenly declare that they were already here and try to get the amnesty.

(END VIDEO CLIP)

(END VIDEOTAPE)

ANGLE (on camera): But even though, demanding more enforcement say, it's understandable Mexican Americans would wonder if immigration enforcement is anti-Hispanic rather than just anti-illegal immigration. And one analyst says, pro-enforcement politicians have to keep that in mind, if there's ever going to be a political consensus on how to deal with illegal immigration -- Shannon.

BREAM: Thank you very much, Jim.

ANGLE: You bet.

BREAM: The Iranian cleric who blamed immodestly dressed women for earthquakes is at it again. And you would think that items promoting the U.S. census would actually be made in the U.S. The truth about that, next in the grapevine.

BREAM: And now some fresh pickings from the "Political Grapevine."

House lawmakers on both sides of the aisle are seeing red over trinkets promoting the 2010 census that were made in China. "The Boston Herald" reports Massachusetts Democrat Steven Lynch is asking for a Congressional probe of the use of millions of taxpayer dollars to buy foreign-made census promotion.

Quote, "It is deeply troubling with 10 percent unemployment the U.S. census department, whose central responsibility it is to locate Americans, could not locate an American company to provide its caps and t-shirt."

A census spokeswoman says the bureau purchased the items from American companies, but conceded that those firms may have bought materials from overseas providers. A bipartisan bill is circulating in the House to block Chinese-made goods from U.S. government contracts.

President Obama's head of the customs and border agency has his own immigration problems. "Congressional Quarterly" reports a Senate Finance Committee memo written by majority Democrats says Alan Bersin did not complete forms used to determine whether employees are eligible for work in the U.S. for any of the 10 people who worked for him since 1993.

Chairman Max Baucus called the omission incredible and said Bersin's attitude seemed cavalier about the require paperwork.

And on the Friday follow, remember the Iranian cleric who blamed earthquakes on provocatively dressed women? He took it a step further during Friday's prayers, saying god may be holding off on the natural disasters in the west in order to let people doom themselves to hell.

The cleric says, quote, "Some ask why more earthquakes and storms don't occur in the western world, which suffers from the slime of promiscuity. God allows them to commit sins so that they go to the bottom of hell."

On the road to recovery tonight, California Governor Arnold Schwarzenegger announced a series of moves to try to close a huge hole in the state budget. Correspondent Anita Vogel reports on desperate times forcing desperate measures.

(BEGIN VIDEOTAPE)

GOV. ARNOLD SCHWARZENEGGER, (D) CALIFORNIA: We're left with nothing but tough choices.

ANITA VOGEL, FOX NEWS CORRESPONDENT: That was Arnold Schwarzenegger today as his office released a revised budget including what it called "unconscionable cuts in state programs." It's a script he's been reading from since January.

SCHWARZENEGGER: More and more of the same dysfunction, the same monster deficits, and the same budget rollercoaster ride of real reforms.

VOGEL: Schwarzenegger has vowed not to raise taxes, so facing a \$20 billion budget gap entire programs, including large part of the state welfare system which serves 1.2 million people, are on the chopping block. Cutting welfare would save the state more than \$1 billion, but it would be a tough sell in the Democratically controlled legislature.

J.B. MITCHELL, PUBLIC POLICY ANALYST: What you are talking about here is a negotiation in which the governor knows not everything he puts on the table is going to be in the final budget.

VOGEL: And while the governor is leading the charge for big spending cuts, the three people currently in the race to replace him are keeping quiet.

DAN SCHNUR, PUBLIC POLICY ANALYST: There is nothing to be gained politically for candidate for governor to articulate in detail the spending cuts that he or she would implement, or worse, the taxes he or she would raise.

VOGEL: Since most lawmakers are up for reelection this fall, and with the legislature approval rating at 13 percent, they may have an appetite for change in Sacramento.

VOGEL (on camera): Ultimately budget experts say the only thing that can save California is a rebound in the economy. With the state's unemployment rate over 12 percent, there simply isn't enough revenue to pay the bills. Even Schwarzenegger's massive cuts can only gain so much ground against this level of debt.

In Los Angeles, Anita Vogel, FOX News.

(END VIDEOTAPE)

BREAM: The news for the national economy is better. Retail sales up 0.4 of percentage point in April, the seventh straight monthly rise, and industrial production rose 0.8 of a point. Both figures were larger than expected.

Wall Street, though, didn't play along. The Dow lost 162 3/4. The S&P 500 gave back 21 3/4. NASDAQ dropped 47 1/2.

The space shuttle Atlantis has begun its final journey. Atlantis blasted off this afternoon on a trip to the International Space Station. It's the ship's 32nd and final mission. The shuttle fleet is being retired. After this flight there are only two more scheduled shuttle missions.

This week in Colorado Springs, some true American heroes had their own mission -- show that they can still compete despite the wounds of war. Correspondent Alicia Acuna has the story of the warrior games.

(BEGIN VIDEOTAPE)

ALICIA ACUNA, FOX NEWS CORRESPONDENT: Marine Sergeant Joseph Smith left the battlefields of Iraq and Afghanistan six years ago after being crushed when a 450-pound container dropped on him. Today, he's back, participating in the first annual warrior games, the Olympics of the wounded military. That is his wife Debbie.

SGT. JOSEPH SMITH, U.S. MARINE CORPS: A great honor for me, because I feel like I'm back in the corps, and I'm not just one of these guys lost by the wayside. The Marine Corps we take care of our own.

ACUNA: Teams compete in multiple sports, such as track and field, volleyball, basketball, swimming, and archery.

SGT. DANIEL BISKEY, U.S. ARMY: I think I'm a little overworked right now, but I am going to do OK.

BRIG. GEN. GARY CHEEK, U.S. ARMY WARRIOR TRANSITION COMMANDER: We believe that physical activity and physical accomplishment and getting back in your life is big part of your recovery.

ACUNA (on camera): In order to be eligible, members of the service must be wounded or ill. But not all injuries are apparent. Some competing here have traumatic brain injuries or post-traumatic stress.

CHEEK: We didn't want them to feel stigmatized or left out or that their injuries weren't as significant as others.

ACUNA: It's a collaborative event between the Department of Defense, U.S. Olympic Committee, USO, and others. Don't mistakes sportsmanship with rolling over. Marine lance corporal Justin Knowles and army sergeant Daniel Biskey shared war stories, and still room to talk smack.

LCPL JUSTIN KNOWLES, U.S. MARINE CORPS: Hands down, hands down, I'm way better than this guy.

(LAUGHTER)

ACUNA: Both men lost legs in Afghanistan. But for them and many others, the fight remains.

JOSEPH SMITH: He was here. It goes on, just because of something like that, life doesn't stop.

DEBBI SMITH, SGT JOSEPH SMITH'S WIFE: He's alive. That's the important thing. He's alive and here, and that's what it's all about.

ACUNA: Organizers say the warrior athletes are already asking for more events, and in the spirit of the Olympics, winter games.

In Colorado Springs, Colorado, Alicia Acuna, FOX News.

(END VIDEOTAPE)

BREAM: True American heroes.

Well, President Obama said changes are coming that will hopefully prevent another oil spill like the one right now in the Gulf. We'll talk about it with the FOX all-stars right after this break.

**LOAD-DATE:** May 15, 2010

**LANGUAGE:** ENGLISH

**TRANSCRIPT:** 051401cb.254

**DOCUMENT-TYPE:** Show

**PUBLICATION-TYPE:** Transcript

341 of 1000 DOCUMENTS

Fox News Network

June 23, 2010 Wednesday

SHOW: FOX HANNITY 9:45 PM EST

## Great American Panel for June 23, 2010

**BYLINE:** Sean Hannity

**GUESTS:** Steve Sax, Judith Miller, Hugh Hewitt

**SECTION:** NEWS; Domestic

**LENGTH:** 1976 words

HANNITY: And tonight on our great, "Great American Panel". He is a nationally syndicated radio talk show host on the Salem Radio Network and partner at the law firm Hewitt, Welanski. Hugh Hewitt is back with us. She is a journalist, a Fox News contributor, Judith Miller is here. He is a former New York Yankee, I don't know about this Dodger thing, but second baseman Steve Sax is with us. Where is your World Series rings you said you put them away?

STEVE SAX, FORMER MAJOR LEAGUE BASEBALL PLAYER: Yes, they're in the closet.

HANNITY: Yes, my Oscars are in the closet and they are.

SAX: I've got big awards.

HANNITY: All right, I'm going to start with you because I suspect we're going to disagree on McChrystal. Tell me specifically why you think he should have been fired?

JUDITH MILLER, FOX NEWS CONTRIBUTOR: Article 88.

HANNITY: Oh come on. This does not -- remember during the Clinton years, proportionality, where is your sense of understanding?

MILLER: No, but Sean, this was the second time he would have been taken to the wood shed. How many trips to the wood shed are we going to have?

But when you read the "Rolling Stone" article what really got me was not what the aide said. It was the kind of frat boy atmosphere. It was the insulting of the allies.

HANNITY: They're soldiers -- they are soldiers. What you expect them to be saints?

MILLER: Do we really want to piss off --

HANNITY: Yes.

MILLER: -- the only people who are out there fighting with us, the French. He said I would rather have my ass kissed in a room full of strangers than go to this dinner. That's his job. Come on Sean.

HANNITY: Oh to be honest I've got to be -- and that's how I feel when I get invited to the Washington Correspondents dinner. That's exactly what how I feel.

All right, but in all fairness, you see, you've hit the keyword, Hewitt and would she -- Hugh, I'm sorry that's my father's name by the way -- Hugh, is that it's the aides. There's no specific comment that would rise to the level of a firing that they can cite for McChrystal.

HUGH HEWITT, SALEM RADIO NETWORK: You won't find a JAG lawyer saying this is Article 88. What this is, is a disastrous day for the country. A -- this demonstration that President Obama is anti-Lincoln. He's got malice towards everyone and charity towards no one.

Doris Kearns Goodwin on the cover of the page of "New York Times" was practically begging the President to exercise some presidential leadership and stop his vendetta against anyone who gets in his face or says anything about him.

And he has serially gone after whether it's George Bush, or John McCain, or Paul Ryan or Rick Wagoner at GM or anybody who gets in his way or says anything about him. This thin-skinned president goes after.

(CROSS TALKING)

HANNITY: You know and that's what I loved during the campaign because he mentioned me a dozen times, Hugh, which you know because where radio friends; that's ratings gold.

HEWITT: That's great.

HANNITY: And I'm like -- and I'm like, can you mention me a few more times. But you think of some of the great generals are, you know, Grant, Patton, MacArthur. You know what, you know what -- that's what generals do, they are leaders, they are strong men, they use salty language.

SAX: That's right.

HANNITY: Go watch "Patton" the movie.

SAX: That's right, this guy is not a media wonk. I mean, what they probably should have done is they probably should have had a public affairs officer on staff there to maybe guard some of this, because if you look at the article there really is nothing that really comes from him.

I think what he did was he pretty much took for everybody, fell on the sword. And he probably did the right thing. So --

HANNITY: And I say, I don't think he did the right thing because I think this -- we're at a critical moment in Afghanistan. And this is not -- this is not good in terms of the world seeing us. I'll tell you what I think was unwise.

Don't let the rolling, don't let "Rolling Stone", don't let "Time" magazine, don't let "Newsweek" or the "New York Times" anywhere near you except for maybe 15 minutes where you can absolutely control the situation.

MILLER: But Sean, what does that say about his judgment? What does that say about his judgment?

HANNITY: You know, it's --

MILLER: He let this happen.

HANNITY: Listen --

MILLER: He let his aides talk that way.

HANNITY: He is a great -- he is a great general. You know what? I don't expect generals to be PR agents as well.

MILLER: He's supposed to have a public affairs officer and he is in charge. It's on his watch.

HANNITY: But that's the point, it doesn't rise to the level of being a fireable offense.

HEWITT: No, it doesn't. History is going to look back at this. This is not MacArthur, this is not McClellan; this is an interview to "Rolling Stone" and they took one of our great chess pieces off of the board and they took another great chess piece and perhaps the grand strategist of them all, David Petraeus, taken away from CentCom as confrontation with Iran looms, as we wind down in Iraq and send him to the tip of this sphere where we should have a fighter.

HANNITY: And the same Petraeus that was excoriated by Biden and Obama. That's what I found on my -- you've got to be kidding. And you've got to agree with that, that surprised you.

SAX: Well, it did. And the thing about it is that, when do we say enough with the media? I mean, this is -- they're out there trying to fight in war and he let the media interfere with this and interrupt the whole thing. It is crazy.

HANNITY: Listen, if I had my way. I will never do except for my friends on talk radio or my friends at the Fox News Channel and Fox Business Network -- I'm not doing any -- I don't want to go on the liberal media because all they want to do is attack me. I don't care what they think. He shouldn't have done the interview.

MILLER: He shouldn't have done the interview. But more than that at this moment when you need your allies and you need a team. I think what was really disturbing about that article was the -- as the President said, the disunity in the team.

SAX: Right.

HEWITT: Why fly him across the world to fire him?

MILLER: Exactly

HEWITT: Why humiliate him?

HANNITY: Yes. And that was the other point. Why humiliate him.

MILLER: In his remarks the President was very, very laudatory of him. And he's going to write a great book.

HANNITY: By the way, when you were playing baseball you probably regretted talking to the media too.

SAX: Here's what you do. 99 percent of the media you don't trust them and the other 1 percent you don't talk to them.

HANNITY: Yes, if I was -- that's the A-Rod strategy.

SAX: You have to protect yourself.

HANNITY: By the way, Jeb Bush said something that I'm so appreciative of that more people should have said.

We have more with our great, great, "Great American Panel, next.

HANNITY: We continue with our great, "Great American Panel".

All right. He's been president 18 months now. How many -- you're better at math than me.

Finally Jeb Bush has said something I've been saying for a long time. When is this president going to stop blaming George W. Bush for every problem he has? Jeb Bush in the "New York Times". He also said this, which I liked and enjoyed as well. He said, "By and large, I think the President instead of being a 21st century leader is Hubert Humphrey on steroids. I don't think there is much newness on spending more money as the solution to every problem."

He also said, "Stop blaming my brother, grow up, there's a level of immaturity here."

You were sort of referring to that earlier.

HEWITT: I think he's not been gracious to a single opponent. I think he's the least gracious president we've had in the Oval Office for a long time.

George Bush was defined by his graciousness towards those who opposed him. He was a good political infighter but he was not this mean-spirited and thin-skinned. And I think President Obama's maturity gap to the previous guy is growing.

MILLER: I found that article interesting in "The New York Times" because it has "Jeb Bush, President" written all over it. Is this man going to run? He keeps saying no, no the way David Petraeus says, "No, no, no I'm not going to run. What is it about no, you don't understand." And yet, everything points to Jeb Bush as perhaps the next --

HANNITY: There's a level of immaturity in this president. This is like -- with General McChrystal -- as far as I can see, the first time he has invoked president. He still hasn't gotten it in the **Gulf oil spill**.

SAX: He still hasn't gotten the **Gulf oil spill**. He's -- I just think he's a weak commander. You talk about how he blames George Bush. You see the situation with the **Gulf oil spill**. He spent 13 days before he ever went down there. He has let the thing go by and go by.

We talk about George Bush and what in the aftermath of Katrina. Like people were blaming him for the actually hurricane.

HANNITY: Three days that he was excoriated.

SAX: Here we have a manmade problem with this oil spill and yet we don't hear much backlash from the media at all.

HANNITY: 132 days out of this election when that oil hits shore in larger quantities and then more beaches as it extends around the coast of Florida, potentially if the riptide gets it and takes it up -- not riptide, what is it called -- the tide takes it up the Eastern Seaboard -- the Gulfstream ok.

We have Obama's energy secretary once said that BP will help save the world. Roll this tape.

(BEGIN VIDEO CLIP)

STEVE CHU, U.S. ENERGY SECRETARY: There's been a lot of excitement that's been growing over the last several years. Now with partnering with BP we will have the resources to actually carry out some of the things we want to do in order to help save the world.

UNIDENTIFIED MALE: How are we going to save the world?

CHU: Well, we're going to save the world, in part by doing something about the energy problem. This impacts national security. This impacts economic prosperity. And most important for me this impacts stewardship of the environment.

(END VIDEO CLIP)

HANNITY: Oops. Reaction?

SAX: Well I just want to know if Obama had given back the \$900,000 he took in the campaign from BP. I don't know if he did but --

HANNITY: Largest recipient of BP money in 20 years.

SAX: So, you'd think that he gave the money. It would be interesting to find out if he did that or if he had in fact used it.

HANNITY: I think he's going to give it back as soon as he gives back the Goldman Sachs money.

MILLER: Come on, every Republican and Democratic president have been in the tank to the oil industry. We cannot get ourselves away from big oil. Let's not pretend this is just one administration.

HANNITY: The Obama regulators, Hugh, you know what, they had a cozy relationship. They were receiving gifts, they didn't do the proper inspections.

HEWITT: And they still continue to fail. Just yesterday the U.S. Fish and Wildlife Service stopped the construction of the berms in Louisiana because they didn't like the calculation. The President is in charge of the executive branch. They are not doing all they can to keep that oil offshore.

It is not BP's fault that that berm isn't being built; it is the President's fault.

HANNITY: What is the political fallout in the midterm?

HEWITT: It's disastrous. And I think that Nancy Pelosi knows it. Today she was putting out the alert. It is going to be a tsunami because people do not like the directing he's taking.

HANNITY: And she goes don't worry about the subpoenas that are coming quick.

SAX: Why don't they waive the Jones Act and let the people come in. We've had 21 different times that we're offered from 17 different countries and yet there's no aid there.

HANNITY: Guys great panel today, honestly. Appreciate it, except for Judith.

That is all the time we have left. That's when we thank you for being with us. Let not your heart be troubled.

The news continues, Greta is next. We'll see you back here tomorrow night.

**LOAD-DATE:** June 24, 2010

**LANGUAGE:** ENGLISH

**TRANSCRIPT:** 062305cb.253

**DOCUMENT-TYPE:** Show

**PUBLICATION-TYPE:** Transcript

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345 of 1000 DOCUMENTS

Fox News Network

**July** 6, 2010 Tuesday

**SHOW:** FOX ON THE RECORD WITH GRETA VAN SUSTEREN 10:43 PM EST

## **Interview With Drew Brees**

**BYLINE:** Greta Van Susteren

**GUESTS:** Drew Brees

**SECTION:** NEWS; Domestic

**LENGTH:** 1646 words

VAN SUSTEREN: New Orleans Saints star quarterback Drew Brees is here to go "On the Record." What a ride Drew has had. He came back from a career-threatening injury to win the Super bowl with the Saints.

We don't have to tell you how important that Super bowl is to New Orleans, a city still recovering from hurricane Katrina. Brees is the author of a brand new book, "Coming Back Stronger," in stores today. Congratulations.

DREW BREES, NEW ORLEANS SAINTS QUARTERBACK: Thank you.

VAN SUSTEREN: There are a lot of congratulations for you. I feel sorry for Miami. They had a chance to have you. What a bunch of dopes. They almost had you as a quarterback and the Saints got you.

BREES: It's funny, when I was drafted in 2001, they were the team I thought I was going to be drafted by with the 26th pick at the time. They passed on me then. Who would have thought five years later they would have another chance at free agency. But I think it all worked out.

VAN SUSTEREN: But it's fun to read in the book how when you left the chargers, the question was do you go to the Saints or Miami? The Saints, you write about seeing New Orleans, and then you go down and they treat you like meat and poke you and check that shoulder, and Miami is like completely different.

BREES: Right. I felt like New Orleans and Coach Sean Peyton and the general manager and owner looked me in the eye, and I could see they had as much confidence in me as I had in myself to come back and be the quarterback for that team and lead that organization and also be the part of the revival of the city of New Orleans.

I felt that, and so I felt that calling to New Orleans, feeling like this is where I belong.

VAN SUSTEREN: That super bowl video which we all will have of you raising your son. Poor Miami, what are they thinking as they are watching the video? Bad choice.

All right, you make it look so easy. You go out throw the ball and make it look easy. But there's a lot of adversity in this book. You talk about growing up and your family divorcing, your shoulder injury. It hasn't been easy, has it?

BREES: No. It has been an interesting road, but I wouldn't trade any of it for the world, because I feel like all of those instances in my life I felt molded me and strengthened me and made me who I am. And I feel like it's that adversity that creates opportunity for all of us in our life.

And that's the mindset and mentality I'm trying help people create from reading the book is that mindset of how to face that adversity and understanding it is there to make you stronger. And it will allow you to accomplish things later on in life that you never thought possible at the time.

VAN SUSTEREN: I love the way you met your wife. You almost lost out on that one.

BREES: I almost did blow it.

VAN SUSTEREN: The viewers don't know the story.

BREES: Point being I made a fool of myself when we met for the first time. It took me six months to redeem myself at least to have another chance to at least have her get to know me and let her know I was at least a decent guy and to give me a shot.

And here we are, we've been married seven years. We have a beautiful little boy who is 18 months old and another little boy to be born in October. We are very excited about that.

VAN SUSTEREN: What makes someone come back from adversity? That shoulder injury was horrendous. Is it personal drive? You talk a lot about faith in the book. Why are you so good at this?

BREES: My faith got me through a lot of those times, feeling like god has a plan for me and I know it is greater than what is happening now. I know he's putting this in my life to strengthen me, to mold me.

And at the time, it is funny how you can look at something and say, for example with my shoulder injury, when it first happened I said this is the worst thing that could happen to me. Why me, why now?

Now I look back and say it was probably the best thing that happened to me. And there are so many parallels you can draw with some of my experiences and what New Orleans went through, a post-Katrina. People wondered if New Orleans would ever come back.

In a lot of ways I feel like New Orleans has come back stronger, better in so many ways. You look at public education system, charter schools, infrastructure, in so many ways New Orleans has come back stronger.

Now, there is still a lot of work to do, and the **Gulf oil spill** is another disaster in itself. But in this economy with the **Gulf oil spill** with all these things people have going on in their lives, I hope this book is something they can lean on for some of that knowledge and wisdom and the stories I tell.

VAN SUSTEREN: They are proud of you. You have done a lot and the team has done a lot for New Orleans.

Another thing is I know you are interested in baseball, and you thought you were going to be a baseball player. But who is your football idol when you were a kid?

BREES: I grew up in Texas, obviously a huge football state. I love the Cowboys in the early 90s. That was their heyday, winning all those Super bowls. Troy Aikman was a person I looked up to. Joe Montana, never the biggest, strongest, but yet four Super bowls, and will go down in history as one of the best of all time.

VAN SUSTEREN: First game against the Minnesota Vikings this coming season, I think it is your first game.

BREES: Yes -- September 9th.

VAN SUSTEREN: You beat them in the playoffs. Is Brett Favre coming back?

BREES: I believe he is.

VAN SUSTEREN: Are you worried?

BREES: I'm always a little nervous going into those games because they are a great team. But I'm confident in our team and I know we'll be ready.

VAN SUSTEREN: We'll all be watching. Congratulations, great book, unbelievable comeback. We loved the video of you with your son, wonderful. Congratulations -- MVP as well.

BREES: Thank you.

(END VIDEOTAPE)

VAN SUSTEREN: Next, "The Best of the Rest." Huge news for Carrie Prejean. Her life is never, ever going to be the same. A report is next. Plus, Levi Johnston has a new message for Governor Sarah Palin and her family. Find out next.

And news tonight for Lindsay Lohan. Is it good news or bad news this time? Start guessing. That report is coming up.

VAN SUSTEREN: This is a Fox News alert. Moments ago Arizona Governor Jan Brewer made her first public comments about the federal lawsuit against Arizona. Watch.

(BEGIN VIDEO CLIP)

BREWER: I'm obviously not too surprised. We anticipated that the federal government would file suit. It arrived today. We will move forward. My Counsel is looking at the lawsuit and we will proceed to defend the people of Arizona.

QUESTION: Do you think SB-1070 violates the supremacy clause?

BREWER: No, I do not.

QUESTION: Why not?

(LAUGHTER)

BREWER: Because I think we have state rights.

QUESTION: It has been branded as a law that essentially does what the feds have not done.

BREWER: The law mirrors federal law. So if the feds aren't going to do their job then Arizona is going to step up and do it.

QUESTION: The lawsuit said this law is about attrition. It's sole purpose to scare people out of the state. Do you agree?

BREWER: I think they attempted to scare people in responding to the initial presentation of the bill. Obviously today we found that the federal government did not address that issue of racial profiling into their lawsuit.

(END VIDEOTAPE)

VAN SUSTEREN: You have seen our top stories, but here is "The Best of the Rest."

Miss California, 2009, Carrie Prejean became famous at the Miss USA pageant for saying she did not support gay marriage. Well, Prejean is making headlines again thanks to the institution of marriage. She just tied the knot.

On July 2nd in San Diego Prejean married Oakland Raiders quarterback Kyle Boller. The couple had been dating for a year. No word if Perez Hilton was on the guest list, but we're guessing he probably is not.

Lindsay Lohan is going to the slammer, sentenced to 90 days for violating terms of her probation in a 2007 drug case. Lohan tearfully asked for leniency but the judge compares Lohan's statements to someone who cheats and thinks it isn't cheating if she doesn't get cause.

Logan burst into tears when the sentence was read. Lohan was not immediately taken into custody and will be allowed to surrender on July 20th.

And Levi Johnston has a message for Governor Sarah Palin and her family. He says "I'm sorry." Johnston broke up with Bristol Palin last year that was the start of a highly public feud with Governor Sarah Palin and her family.

Now in an interview with "People" magazine Johnston apologizes to the Palin family for his "youthful indiscretion." Johnston says in part, last year after Bristol and I broke up, I was unhappy and a little angry. Unfortunately, against my better judgment, I publicly said things about the Palins that were not completely true. I have already privately apologized to Todd and Sarah. Since my statements were public, I owe it to the Palins to public apologize."

And there you have, "The Best of the Rest."

But still ahead, I'm thinking of changing my hairstyle for a really good cause. We'll explain, next.

VAN SUSTEREN: 11:00 is almost here. Flash the studio lights. It's time, last call.

Finally, people holding onto the hairdo are getting the respect they deserve. This week the Pittsburgh zoo is running discounts, one for twitter followers, another for Facebook fans, and a very special deal that caught our eye -- \$5 off for anyone with a mullet. Yes, a mullet.

As you know, we here at "On the Record" love animals, so the thought of a zoo discount is very attractive. Our graphics department made this picture for us. What do you think? Should I fire the staff for talking me into this? This is bad, isn't it?

Interview With Drew Brees Fox News Network July 6, 2010 Tuesday

That your last call and we are closing down shop. Thanks for joining us tonight. Make sure to follow us on twitter.com/Gretawire. "The O'Reilly Factor" is next. Goodnight from New York City. See you tomorrow night from -- I'm not telling. You'll have to guess.

**LOAD-DATE:** July 7, 2010

**LANGUAGE:** ENGLISH

**TRANSCRIPT:** 070604cb.260

**DOCUMENT-TYPE:** Show

**PUBLICATION-TYPE:** Transcript

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375 of 1000 DOCUMENTS

Fox News Network

June 2, 2010 Wednesday

SHOW: FOX SPECIAL REPORT WITH BRET BAIER 6:00 PM EST

## Political Headlines

**BYLINE:** Bret Baier, Alicia Acuna, Major Garrett, Molly Henneberg, Phil Keating, Reena Ninan, Rick Leventhal, Carl Cameron, Jim Angle

**SECTION:** NEWS; Domestic

**LENGTH:** 4676 words

BRET BAIER, FOX NEWS ANCHOR: As another attempted fix falters, President Obama says the **gulf oil spill** makes the case for new energy taxes. We will look at the slippery slope between what the administration has said about the crisis and what it means. And House Republicans want more answers in the Joe Sestak case. Live from our studio in Washington, this is SPECIAL REPORT.

Good evening. I'm Bret Baier. BP's latest effort to curb the **gulf oil spill** ran into another manifestation of Murphy's law today. If something can go wrong, it will.

We have FOX team coverage tonight. Senior White House correspondent Major Garrett reports on what the president is hoping to gain from the spill. But we begin with correspondent Alicia Acuna live in Venice, Louisiana, to tell us what's happening right now and what is not.

Good evening, Alicia.

ALICIA ACUNA, FOX NEWS CORRESPONDENT: Good evening, Bret. Well, a major thunderstorm with heavy winds seriously hampered the efforts of workers to track the oil slick today. The weather also grounded response teams made up of fishermen in need of a job. And beneath the surface of the water, another snag. The diamond wired saw that was created, intended to create a smooth cut on the main pipe became stuck. National Incident Commander Admiral Thad Allan says the quality of the cut is critical to preventing more oil from spilling into the gulf.

(BEGIN VIDEO CLIP)

ADM THAD ALLEN (RET), NATIONAL INCIDENT COMMANDER: The cleaner the cut, the tighter the seal we can make on it. Partially through that cut, the saw got stuck. It's not like if you were sawing through a piece of wood and every once in a while it binds up.

(END VIDEO CLIP)

ACUNA: BP said it was finally freed but much of the day was spent trying to get things going again. You could see the robot arm trying to loosen it.

Today, the National Oceanic Atmospheric Administration ship Thomas Jefferson set out from New Orleans on a 10-day mission to determine what is in the water and where it is going. NOAA researchers on board the 208-foot survey vessel will collect water samples to study the impact that oil and chemicals may have on humans as well as on the delicate ecosystems of the coast. BP is shooting subsea dispersants at oil gushing out from the site of the cap and cut operation and impact of the chemical in such a large quantity remains unknown.

And there's more bad news for the states of the gulf. Oil or signs of it has now reached Alabama and Mississippi. And today, the Coast Guard confirms that oil sheen is within eight miles of Pensacola Beach in Florida's panhandle.

Now, in some of Florida's coast, officials have said it's easier for them to clean up the sand than it is to protect it. So they're not going to protect it. However, the folks in Louisiana aren't so fortunate, because the marshes here that you see in Louisiana are such a delicate ecosystem that they're so sensitive when there oiled, their almost impossible to clean. And the timeline on once those marshes are oiled can actually go from weeks to decades -- Bret.

BAIER: Amazing. Alicia Acuna live in Venice, Louisiana, tonight. Alicia, thank you.

President Obama today tried to make the case that the **gulf oil spill** is a justification for a tax increase. Senior White House correspondent Major Garrett reports on the connection between oil in the water and greenhouse gases in the air.

(BEGIN VIDEOTAPE)

MAJOR GARRETT, FOX NEWS SENIOR WHITE HOUSE CORRESPONDENT (voice over): As the latest effort to slow the flow of oil in the gulf faltered, President Obama waited until the end of his speech bringing together his economic greatest hits and attack lines from old campaign speeches to lobby the Senate for new energy taxes.

BARACK OBAMA, PRESIDENT OF THE UNITED STATES: The only way the transition to clean energy will ultimately succeed is if the private sector is fully invested in this future. And the only way to do that is by finally putting a price on carbon pollution.

GARRETT: Mr. Obama vowed to leverage revulsion over the oil spill into political action, to tax carbon-based pollution and finance alternative energy sources.

OBAMA: The next generation will not be held hostage to energy sources from the last century.

GARRETT: The president also resurrected this general election broadside, saying Republicans eyeing big mid-term election gains this year offer only --

OBAMA: Tax breaks for the wealthy and fewer roles for corporations. The last administration called this recycled idea the ownership society. But what it essentially means is that everyone is on their own.

GARRETT: House GOP Leader John Boehner called the speech hyper partisan and said it diminished the presidency by resorting to straw man arguments.

Meanwhile, as the slick spreads and fears mount of a summer beclouded in oil, long-time supporters of the Obama White House have turned sullen and accusatory. Columnist Frank Rich, a dominant voice on the left, complained in Sunday's "New York Times" that Mr. Obama's legendary cool might be overmatched by the oily menace. "A pipe gushing poison into an ocean is a visceral crisis demanding visible, immediate action," Rich wrote. Adding the president had exhibited at times, quote, "baffling diffidence."

Picking up on Mr. Obama's frowning presentation yesterday of his oil spill commission, "New York Times" columnist Maureen Dowd today said the spill threatens the Obama brand and presidency. "With as much as 34 million gallons of oil inking the Gulf of Mexico, 'Yes we can' has been downgraded to 'Will we ever?' Instead of buoyant, he seems put upon. Instead of the fairy dust of hopefulness, there's the bitter draught of helplessness."

(END VIDEOTAPE)

GARRETT: White House officials regard this editorial criticism as overwrought, but they don't deny the oil slick has diminished the president's ability to focus on other issues. And they say it could jeopardize his scheduled visit later this month to Indonesia and Australia -- Bret.

BAIER: The second time if that's put off again. Major Garrett live on the North Lawn. Major, thank you.

Pending home sales rose six percent in April. The increase was fueled by a rush of consumers trying to meet the deadline to qualify for a federal tax credit.

Stocks rebounded today. The Dow gained 225 1/2. The S&P 500 added 27 2/3. The Nasdaq was up 58 3/4.

We begin "America's Election Headquarters" tonight with the latest on the story of Pennsylvania Congressman Joe Sestak. The Democratic nominee for Senate there said last week that former President Bill Clinton had offered him a non-paid advisory job in order to get him to forego a challenge to incumbent Senator Arlen Specter. But not everyone is ready to move on. Correspondent Molly Henneberg tells us why.

(BEGIN VIDEOTAPE)

MOLLY HENNEBERG, FOX NEWS CORRESPONDENT (voice-over): It's not over say three House Republicans. In a letter to the White House Council's office, Congressman Darrell Issa, Lamar Smith and Jim Sensenbrenner want the White House to release, quote, "all records and documents" related to, quote, "the Sestak matter." Issa says the memo by the administration's top lawyer, Bob Bauer, detailing the White House's version of events, quote, "isn't plausible."

REP. DARRELL ISSA (R), CALIFORNIA (via telephone): After 10 weeks of waiting for an answer, and getting it -- then getting an answer that does not compute, that cannot have been, it's not unreasonable to quickly ask for more information.

HENNEBERG: Sestak had said that he was offered a job once by former President Clinton.

REP. JOE SESTAK (D-PA), US SENATE CANDIDATE: This portion of the conversation probably lasted, I mean, I'm not exactly sure at the time, but I would say 30 to 60 seconds.

HENNEBERG: But in Bauer's memo, he wrote that there was more than one overture to Sestak, saying, quote, "Efforts were made in June and July of 2009 to determine whether Congressman Sestak would be interested in service on a presidential or other senior executive branch advisory board." The White House press secretary declined to elaborate.

ROBERT GIBBS, WHITE HOUSE PRESS SECRETARY: Whatever is in the memo is accurate.

HENNEBERG: Also, Bauer said the advisory board job would, quote, "allow Sestak to retain his seat in the House." Which board? Sestak said he wasn't sure.

SESTAK: It was like, either intelligence, defense. You know, it was like, but I wasn't interested.

HENNEBERG: But the presidential intelligence advisory board requires that its members are not in government. Still, a former federal prosecutor for 17 years says even if Sestak had left the race, he doesn't think this would be an illegal quid pro quo.

PETER ZEIDENBERG, FORMER FEDERAL PROSECUTOR: He's agreeing not to do something. He's agreeing not to run. And I don't think he's doing anything of value in exchange for that job.

(END VIDEOTAPE)

HENNEBERG: And now the mystery deepens over what happened on the Colorado Democratic Senate primary. FOX has detailed several times that a White House official reportedly offered a government job to former Colorado House Speaker Andrew Romanoff if Romanoff would get out of the race against incumbent Senator Michael Bennet. The White House had refused comment. But today, the "Associated Press" reported, quote, "Administration officials dangled the possibility of a job for Romanoff," but "AP" sources would not specify the job or the administration officials who floated it -- Bret.

BAIER: More on all this with the panel later. Molly, thank you.

The former head of the Florida Republican Party was arrested this morning. Jim Greer had resigned under pressure in February. Correspondent Phil Keating reports on the new legal pressure facing him.

(BEGIN VIDEOTAPE)

JIM GREER, FORMER FLORIDA GOP CHAIRMAN: In the state party, we're focusing on voter registration.

PHIL KEATING, FOX NEWS CORRESPONDENT (voice-over): After a grand jury investigation, the disgraced former chairman of Florida's Republican Party now faces, if convicted, up to 30 years in prison. Jim Greer arrested at his Orlando area home this morning is now charged with six felonies, including one count of money laundering and four counts of grand theft. According to state investigators, Greer who was handpicked by Governor Charlie Crist to be the state party chairman, ran a shell game to steal more than \$100,000 from the party.

WILLIAM SHEPHERD, STATEWIDE PROSECUTOR: As it's alleged, Mr. Greer just used the money for his own personal lifestyle.

KEATING: The state accuses Greer of using his official e-mail account with the Republican Party of Florida to raise money for the party, and then requiring those donors write their checks, not to the party but to a company called Victory Strategies. Ten percent of the donations went to that company as commission. The rest went to the party. But investigators say none of the donors nor party insiders had any clue that Greer actually owned 60 percent of Victory Strategies. Governor Crist today says he does not feel complicit.

CHARLIE CRIST (R), FLORIDA GOVERNOR: Well, I think it's obviously disappointing and surprising.

KEATING: One of Crist's challengers for the U.S. Senate seat, Republican Marco Rubio, offered this reminder.

MARCO RUBIO (R), U.S. SENATE CANDIDATE: I can definitely tell you Jim Greer was Charlie Crist's handpicked chairman.

KEATING (on camera): But Rubio had his own problems charging personal expenses on the state party credit card while Greer was chairman. Now Greer's arrest could be a game-changer in this tight Senate race in Florida. Republican activists say it immediately hurts Governor Crist who, remember, is running as an independent with exactly the voters he's counting on, independents and conservative Democrats.

In Miami, Phil Keating, FOX News.

(END VIDEOTAPE)

BAIER: Illinois Republican Senate candidate Mark Kirk is offering a new explanation about how he learned he had been falsely taking credit for a military award given to his Navy intelligence unit. Kirk originally said he corrected his biographies on his congressional and candidate Web sites before learning of a pending newspaper story, but the Navy says it informed Kirk about the release of the information to the media. Kirk's office now says the Navy called while staffers were reviewing his military record.

We'll talk about someone else who's having trouble getting his side of the story taken seriously a little later in "The Grapevine." And Israel is facing plenty of trouble over its commando raid but is not backing down.

BAIER: Checking world headlines now, Japan's prime minister has resigned. Yukio Hatoyama lasted just eight months in office. His approval rating fell below 20 percent after breaking a campaign promise to force U.S. Marines to move from a key base off the southern island of Okinawa.

There will be no apology from Israel for Monday's commando raid on a flotilla bound for Gaza that left nine people dead. Prime Minister Benjamin Netanyahu made that clear today. Correspondent Reena Ninan looks at Israel's insistence that its own security comes first.

(BEGIN VIDEOTAPE)

REENA NINAN, FOX NEWS CORRESPONDENT (voice-over): Israeli Prime Minister Benjamin Netanyahu, in an attempt to deal with the international backlash towards Israel following Monday's raid on six ships attempting to break the Gaza blockade, said Israel would not allow any ships through to Gaza and no goods would be allowed without inspection to ensure Iran isn't transferring arms to Hamas.

BENJAMIN NETANYAHU, ISRAELI PRIME MINISTER: Israel cannot permit Iran to establish a Mediterranean port a few dozen kilometers from Tel Aviv and from Jerusalem. This wasn't a love boat. This was a hate boat. These weren't pacifists, they weren't peace activists. These were violent supporters of terrorism.

NINAN: This new video released by the Israeli military today purportedly showed activists using a stun grenade on Israeli soldiers during Monday's raid to stop the ship from entering Gaza. Others preparing metal clubs which would later be used to attack Israeli commandos. Released activists insisted they were attacked first by the Israeli military.

Today, Israel moved quickly to deport all four nationals who were on board the ships.

(on camera): These buses have the last of the four activists who were on board those ships. They are being released from the Israeli prison. There had been great international diplomatic pressure to secure their release as quickly as possible. Even the foreigners who attacked Israeli soldiers are being released. No charges will be pressed against them.

(voice-over): There were two other boats currently in Malta expected to go to Gaza to try to break the economic blockade. Israel says it will prevent any boats from approaching Gaza. Today, Egypt opened its borders with Gaza allowing in Gaza residents and humanitarian aid.

TONY BLAIR, MIDDLE EAST SPECIAL ENVOY: We need to reconsider our policy on Gaza. The fact is that there are homes that need to be rebuilt. There is power, there is water, there is sanitation and that there is legitimate business that needs to be supported.

(END VIDEOTAPE)

NINAN: The U.S. finds itself caught in the middle of the situation with European allies demanding that the boycott on the Gaza strip be lifted. On the other side, the Israeli government says that's not going to happen as it would jeopardize Israeli security -- Bret.

BAIER: Reena Ninan live tonight in Jerusalem. Reena, thank you.

Taliban militants launched suicide attacks today in Kabul to try to disrupt a national peace conference. No delegates were harmed but two attackers were killed and one captured. The purpose of the meeting is to encourage Taliban fighters to quit. Militant leaders have denounced that conference.

In our "Faces of War" segment, trying to win the battle by not firing a shot. Senior correspondent Rick Leventhal is with the Marines in southern Afghanistan.

(BEGIN VIDEOTAPE)

UNIDENTIFIED MALE: Salaam aleykum.

UNIDENTIFIED MALE: Salaam aleykum.

RICK LEVENTHAL, FOX NEWS CORRESPONDENT (voice-over): Lieutenant Colonel Scott Leonard tours the main shopping bazaar of Khanashin, a bare bones capital in southern Helmand Province. His guide is the district governor, Mehsud Baluch (ph). The Marines are helping to coordinate the construction of a new park, health center and school. Khanashin has no hospital and a 95 percent illiteracy rate.

UNIDENTIFIED MALE: Have you ever looked into trying to get more teachers down here? And hire more teachers?

While Marines may be better known as a fighting force, the colonel says projects like these -- and reaching out to locals is key to victory in Afghanistan.

LT COL SCOTT LEONARD, US MARINE CORPS: The harder part of the counterinsurgency is earning the people's trust. It's being with the people and letting them know that we're here to support them, secure them, but also let them know that we're going to support their security forces and their government.

I'm working. I'm learning.

We need to be good students of their culture. And they are good teachers. And they will tell us what they, what's acceptable for them. And I think the best thing that we can do is listen.

LEVENTHAL: Colonel Leonard, who has also done four tours in Iraq, says he misses his wife and kids but is commander of the 1st Light Armored Reconnaissance Battalion. He has another family here of more than 800.

LEONARD: It's the best job in the world. And I wouldn't want to be doing anything else.

It's always good to be able to sit down with our fellow partners.

LEVENTHAL: Breaking bread and building relationships to defeat an enemy that for the most part lurks in the shadows.

In southern Afghanistan, Rick Leventhal, FOX News.

(END VIDEOTAPE)

BAIER: We'll take a look at the facts and the fiction behind the administration's handling of the gulf oil crisis. And will Arkansas Senator Blanche Lincoln be around for the rest of the Obama administration? We'll have that answer pretty soon.

BAIER: Early voting is already underway for runoff elections in Arkansas. The big item on the ballot involves an incumbent Democratic senator fighting against liberal groups, big labor and even her own Washington experience. Chief political correspondent Carl Cameron explains.

(BEGIN VIDEOTAPE)

CARL CAMERON, FOX NEWS CHIEF POLITICAL CORRESPONDENT (voice-over): Portrait of an incumbent Democratic U.S. senator afraid of losing her party's nomination runoff in six days.

BLANCHE LINCOLN (D), ARKANSAS SENATOR: I think there's been a tremendous misrepresentation of me and my record. I think there's been a huge negative attack again on me.

CAMERON: Lincoln conceded a voter rebuke two weeks ago when she fell short of 50 percent in the primary and rival Lieutenant Governor Bill Halter forced a runoff Tuesday. Polls give Halter a slight edge within the margin of error. Lincoln sounds almost pleading in her final campaign ad and acknowledges she may lose.

(BEGIN VIDEO CLIP)

BLANCHE LINCOLN (D), ARKANSAS SENATOR: And I know you're angry at Washington. Believe me, I heard you on May 18. I'd rather lose this election fighting for what's right than win by turning my back on Arkansas.

(END VIDEO CLIP)

CAMERON: Halter has momentum and two closing ads. One caps himself as reformer.

(BEGIN VIDEO CLIP)

UNIDENTIFIED MALE: The only way to change Washington is to change who we send there.

(END VIDEO CLIP)

CAMERON: The other hits Lincoln hard with a social security recipient.

(BEGIN VIDEO CLIP)

UNIDENTIFIED FEMALE: She supports more tax cuts for millionaires while cutting social security. She's lost touch with people like me.

(END VIDEO CLIP)

CAMERON: Halter has had big help from big labor, which wants to oust Lincoln for blocking pro-union organizing legislation known as card check. This SEIU attack suggests she sold out.

(BEGIN VIDEO CLIP)

NARRATOR: Blanche Lincoln claims she's standing firm against Wall Street, but Lincoln voted to use our tax dollars to bail out Wall Street banks and took \$803,000 in campaign contributions from securities and investment businesses.

(END VIDEO CLIP)

CAMERON: The League of Conservation Voters even links Lincoln to the gulf spill.

(BEGIN VIDEO CLIP)

NARRATOR: Big oil has another gusher. She voted to allow risky offshore drilling for BP and others. It's time to send big oil a message. On Tuesday, send Blanche Lincoln packing.

(END VIDEO CLIP)

CAMERON: Former President Bill Clinton denounced the attacks as outside interest meddling in his home state. Lincoln's fate hinges on whether voters believe her.

LINCOLN: My vote is not for sale. And I don't think the people of Arkansas' vote is for sale either. I think people understand that these are outside groups that want to make this a national race. They want to make it about punishment of senators that are not going to vote with special interest groups.

CAMERON: In Washington, Carl Cameron, FOX News.

(END VIDEOTAPE)

BAIER: Tuesday's Alabama primary saw a Democrat turned Republican losing his re-election battle. Congressman Parker Griffith lost his GOP primary race with local politician Mo Brooks who had tea party backing. Another tea party favorite, Marine veteran Rick Barber, forced runoff in the second district Republican Congressional primary.

A new report says a growing number of teenage girls are using the rhythm method for birth control. The survey from the Centers for Disease Control and Prevention says 17 percent of sexually experienced teen girls report timing their sex

to avoid fertile days. Also more than 70 percent of teenage girls now find it acceptable for an unmarried female to have a child.

There are more people than ever playing politics. We'll tell you about that in "The Grapevine." And guess who is getting the blame for Al and Tipper Gore's breakup.

BAIER: And now some fresh pickings from the "Political Grapevine."

A potentially record-breaking number of congressional challengers are running for election this year. The "Associated Press" counts more than 2,300 vying for House and Senate in the midterms. That is the highest figure since records began in 1975.

The field has nearly twice as many Republican candidates as Democrats, as well as several hundred independent and third party challengers.

Meanwhile, Gallop's latest generic ballot shows Republicans enjoying a 49-43 percent lead, the biggest of the midterm cycle so far. Gallop says a growing group of independents has shifted more toward the GOP.

We told you Tuesday that Al Gore and wife Tipper are separating after 40 years of marriage. Now a family friend is suggesting that the person responsible for the split is former President George W. Bush.

Sally Quinn told CBS news that losing the 2000 election to Mr. Bush may have done the Gore marriage irreparable harm. The Gore breakup now joins a laundry list of things Mr. Bush has been blamed for, including a head butt at the World Cup Soccer match, the African-American baby boom, the **Gulf oil spill**, and the Sheryl Crow/Lance Armstrong breakup.

And finally, former Illinois Democratic governor Rod Blagojevich's corruption trial starts Thursday. He is accused of trying to sell President Obama's old Senate seat. The defense hopes to call Valerie Jarrett and Rahm Emanuel and Harry Reid and Dick Durbin.

Durbin says, "Given the former governor's previous antics regarding the case, it's no surprise he's casting a wide net apparently from the president down to dogcatcher."

A judge rejected a defense request to have the president testify. But the former governor will take the stand at his trial with the blessing of his lawyer who says this, "He is a celebrity idiot, but he is a celebrity. He's truly funny -- totally self-absorbed, but truly funny."

Now more on the **Gulf oil spill**. The disaster has put the Obama White House in a tough spot, trying to appear in command, yet distancing itself from BP's so far failed efforts. Chief Washington Correspondent Jim Angle reports on an administration walking a very fine line.

(BEGIN VIDEO CLIP)

JIM ANGLE, FOX NEWS CHIEF WASHINGTON CORRESPONDENT: For those in power, it's a political nightmare to appear powerless, and in the case of the **Gulf oil spill**, that is precisely the image the White House is trying to combat.

CAROL BROWNER, OBAMA ENERGY/CLIMATE CHANGE ADVISER: Make no mistake about it. The government is in charge. BP comes to the government and gets permission to take the steps they take.

The White House makes it sound like BP officials can't go to the bathroom without permission. But earlier officials made it sound like BP was in control.

UNIDENTIFIED FEMALE: How do we stop the leak? Whose ideas?

ROBERT GIBBS, WHITE HOUSE PRESS SECRETARY: BP, with our oversight.

ANGLE: And though the administration is working hand in hand with BP to determine how best to stop the flow of oil, the word "cooperation" is never used. That would seem to cozy. Instead, officials try to sound mean and tough.

KEN SALAZAR, INTERIOR SECRETARY: We will keep our boot on their neck until the job gets done.

GIBBS: We will keep our, as Secretary Salazar said, our boot on the throat of BP.

ANGLE: At one point, the interior secretary even suggested pushing BP aside.

SALAZAR: If we find they're not doing what they are supposed to be doing, we'll push them out of the way appropriately and we'll move forward.

ANGLE: But the White House later said it does not have the legal power to do that.

UNIDENTIFIED MALE: Why doesn't the federal government come in and take over and get the job done?

UNIDENTIFIED FEMALE: Federalize it. Federalize it.

GIBBS: No.

ANGLE: The White House also blamed BP for initially low-balling the estimate of how much oil was leaking from the well.

BROWNER: They will ultimately pay a fine based on the rates. BP has a vested financial interest in downplaying the size of this.

ANGLE: But administration officials are the ones who sanctioned the estimate in cooperation with BP.

JANE LUBCHENCO, NOAA ADMINISTRATOR: There was agreement among BP and NOAA scientists that the likely approximate rate of flow was 1,000 barrels a day.

ANGLE: It was changed to 5,000 barrels a day but that was a government figure. Non-political people were more even-handed saying the government was doing everything they could.

ADM. THAD ALLEN, (RET) NATIONAL INCIDENT COMMANDER: They're exhausting every technical means possible to contain the leak.

LAMAR MCKAY, BP AMERICA CHAIRMAN: We have been clear that we are going to pay the claims and the entire resources of BP are behind this.

ANGLE: This week, BP passed \$1 billion mark. But administration officials continue to demand BP pay, insisting it do what it is already doing.

BARACK OBAMA, (D) PRESIDENT OF THE UNITED STATES OF AMERICA: We'll demand that they pay every dime they owe for the damage they've done and the painful losses that they have caused.

ANGLE: And in the one area where the federal government has the most power, keeping oil from the Gulf coast beaches, local officials complain the administration is too slow approving their plans to do just that.

GOV. BOBBY JINDAL, (R) LOUISIANA: We need to get to work. We need to be out there protecting our shores. We don't need more studies or meetings.

ANGLE: And the anger builds the longer the oil flows, and the president cannot escape it.

DOUGLAS BRINKLEY, PRESIDENTIAL HISTORIAN: Some people are directing it at BP, but a lot are going to be turning on the president. He is going to feel quite helpless.

ANGLE (on camera): So the administration is using anger, even threat of criminal charges to try to distance itself from the company though its success in capping the well is inextricably linked to president's political standing.

In Washington, Jim Angle, FOX News.

(END VIDEOTAPE)

BAIER: BP chief Tony Hayward says he was appalled when he read his own comment Sunday that he wanted to fix the **Gulf oil spill** because, "I want my life back." Hayward today apologized, saying "Those words don't represent how I feel about the strategy and certainly don't represent the hearts of the people of BP, many of whom live and work in the Gulf, who are doing everything they can to make things right."

We will talk to the FOX all-stars about the president's connection between **Gulf oil spill** and new energy taxes among other things when we come back.

**LOAD-DATE:** June 3, 2010

**LANGUAGE:** ENGLISH

**TRANSCRIPT:** 060201cb.254

**DOCUMENT-TYPE:** Show

**PUBLICATION-TYPE:** Transcript

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Fox News Network

July 9, 2010 Friday

SHOW: FOX SPECIAL REPORT WITH BRET BAIER 6:00 PM EST

**Western Spies Released From Russian Custody Land in U.S.; Obama Stumps in Vegas for Harry Reid; Joe Manchin to Make a Run for Senator Robert Byrd's Seat?; End in Sight for **Gulf Oil Spill**; Rewards and Risks of Offshore Drilling; Judge Ruling on DOMA Could Have Ripple Effect; U.N. Takes a Stand on North Korea's Sinking of a Warship**

**BYLINE:** Chris Wallace, Jim Angle, David Lee Miller, Major Garrett, Molly Henneberg, Phil Keating, Brian Wilson, Molly Line, Steve Centanni

**GUESTS:** Erin Billings, Charles Krauthammer, Bill Kristol

**SECTION:** NEWS; International

**LENGTH:** 6961 words

CHRIS WALLACE, FOX NEWS ANCHOR: I'm Chris Wallace in for Bret Baier, and this is a FOX News alert.

You are looking at the airplane on which it is believed some or all of the four convicted and pardoned western spies have just arrived in the U.S. completing their journey from Russia. The plane landed moments ago at Dulles International Airport here in the Washington area. Their return completes the spy swap with echoes of the cold war that also sent 10 Russian agents who have been living here in the U.S. back to Moscow. For a look at how it all went down today, here is correspondent David Lee Miller in New York.

(BEGIN VIDEOTAPE)

DAVID LEE MILLER, FOX NEWS CORRESPONDENT (voice-over): Less than two weeks after they were arrested, 10 convicted Russian spies are now in Moscow. Without any fanfare, their plane touched down at one of the city's airports. For most of those on board, including Anna Chapman, it was a return home. But for Vicky Pelaez, a naturalized U.S. citizen, it is likely to be only a stop on her way to native Peru. All were expelled from the U.S. after pleading guilty to a single charge of conspiracy to act as a foreign agent. In exchange for their release, Russia set free four prisoners, three former KGB agents and an arms control researcher.

The actual spy swap took place on a remote airport runway in Vienna, Austria. The four Russian prisoners were flown to an air force base in southern England where two of the four Russians were reportedly dropped off before the plane headed back to the U.S. One Russian analyst says even though it was a lopsided exchange of 10 for four, the U.S. got the better deal.

PETER BROOKES, HERITAGE FOUNDATION: I think the swap was quite pragmatic for the United States. We gave up a spy ring here that didn't seem to do great damage to U.S. national security. And in exchange, we received a number of potentially high level, highly valuable Russian intelligence officers.

MILLER: The freed Russians are physicist Igor Sutyagin, whose been serving a 14-year sentence convicted of spying for the U.S.; Alexander Zaporozhsky (ph) convicted of being a double agent; Sergei Skripal (ph), a former intelligence officer found guilty of spying for the U.K., and a former KGB major, 89-year-old Gennady Vasilenko, who has been convicted of illegal weapons possession.

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Resolution of the spy swap case helps pave the way for improved U.S.- Russian relations. But still unresolved is the fate of Christopher Metsos, the presumed moneyman for the spy ring. After being released on bail in Cyprus, he disappeared and remains a fugitive.

(END VIDEOTAPE)

MILLER: As the spy saga comes to a close, we are learning tonight in the White House that the president was briefed about the Russian spy program on June 11, two weeks before the arrest took place and at that time, a spy swap was taken under consideration. The U.S. came up with the names of the four Russian prisoners to be free, based in part on health issues, as well as humanitarian concerns. And as for the children of the convicted Russian spies, tonight, authorities say they have left or are now in the process of leaving the U.S. -- Chris.

WALLACE: David Lee, thank you.

President Obama has rolled the political dice in Las Vegas. Gambling the prestige of his office will help reinvigorate the campaign of Senate Majority Leader Harry Reid, but there is danger also, because Republicans are using the president as a negative for Reid. Senior White House correspondent Major Garrett has both sides of the story.

(BEGIN VIDEOTAPE)

MAJOR GARRETT, FOX NEWS SENIOR WHITE HOUSE CORRESPONDENT (voice over): President Obama arrived in Sin City and bet some of his political capital on demonizing Republicans.

BARACK OBAMA, PRESIDENT OF THE UNITED STATES: We know how the movie ends if the other party is in charge. You don't have to guess how they'll govern because we're still living with the damage from the last time they were governing.

GARRETT: Picking up on a theme he used earlier in Missouri with Senate Democratic challenger Robin Carnahan, Mr. Obama said he and embattled Senate Majority Leader Harry Reid found America's economy in a ditch.

OBAMA: Harry Reid and I, we've got mud on our shoes. We've been pushing and shoving. Car is just kind of getting out.

GARRETT: Republicans responded with this TV ad running in Las Vegas.

(BEGIN VIDEO CLIP)

NARRATOR: Barack Obama and Harry Reid. They've dealt bailouts, handouts and takeovers, giving us a \$1.5 trillion budget deficit, a \$13 trillion national debt, 14 percent unemployment for Nevada. When it comes to Nevada's economy, Obama and Reid are a bust.

(END VIDEO CLIP)

GARRETT: Mr. Obama knows times are tough and voters are either restive or angry, especially independents who have moved steadily away from the president and pose the biggest threat to Democratic prospects in November.

This week's FOX News/Opinion Dynamics poll showed Mr. Obama's approval rating among independents at 40 percent. That's down 14 percentage points from a year ago. The survey also found 55 percent of independents said they are likely to vote for a Republican this fall. Also, 61 percent describe themselves as either disappointed or angry with Mr. Obama's administration. One way to win independents back, White House officials say, is for the president to portray Republicans such as Reid's opponent, Sharron Angle, as risky, unsettling extremists.

OBAMA: On a lot of these issues, she favors approach that's even more extreme than the Republicans we got in Washington. That's saying something.

GARRETT: Angle is running slightly ahead of Reid, but Mr. Obama pounced on her recent description of the \$20 billion BP oil spill compensation fund as a, quote, "slush fund." Angle later called that terminology, quote, "incorrect."

OBAMA: And I'm sure she meant "slush fund" in the nicest possible way.

(END VIDEOTAPE)

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GARRETT: It's unclear whether or not independents will remain estranged from the Obama White House throughout this election year. But if they do, that could pose very big problems for this White House and its legislative agenda moving forward -- Chris.

WALLACE: Major Garrett reporting from the White House. Major, thanks.

It appears West Virginia Governor Joe Manchin will make a run at the Senate seat held by the late Robert Byrd. But correspondent Molly Henneberg reports there's a lot of work to do before that can happen.

(BEGIN VIDEOTAPE)

MOLLY HENNEBERG, FOX NEWS CORRESPONDENT (voice-over): West Virginia Democratic Governor Joe Manchin intends to call the state legislature into special session possibly next week to determine the process for filling the Senate seat held by the late Democratic Senator Robert Byrd. The governor's legal counsel, Jonathan Deen, says the legislature has to clarify the wall because, quote, "No two lawyers agree on when the election may take place or how the process should be handled."

Whenever the election might be, maybe in November, Manchin, who won the last governor's race with 70 percent of the vote, has said that he'll probably run.

JOE MANCHIN (D), WEST VIRGINIA SENATOR: I need to make a decision very quick. But I do highly consider doing that. Absolutely.

HENNEBERG: Byrd held the Senate seat for five decades, but West Virginia went for Republican John McCain in the 2008 presidential election. And state GOP leaders say this race could be a pick-up in the Senate.

DOUG MCKINNEY, WEST VIRGINIA GOP CHMN: This one could be the one that would actually give the Republicans a majority or a 50/50 split. And you know, that's a tremendous shift in power.

HENNEBERG: The highest ranking Republican in the state is five-term Congresswoman Shelley Moore Capito who has not said yet if she'll run for the open seat. Republicans say Manchin would not stand up to President Obama and the Democrats' cap-and-trade energy program, which would add more taxes to West Virginia's coal mining industry. Manchin, who calls himself a centrist, has said he opposes cap-and-trade and wants to find a balance in energy policy.

MANCHIN: To make sure that we don't create havoc on the economic climate if you will until we find a dependable, reliable, affordable fuel of the future.

MCKINNEY: I would expect that he would have to bend to the party's wishes and to the president.

HENNEBERG: Unlike the senior Senator Byrd, whoever fills the seat will be a very junior senator and likely will not bring home the millions in earmarks that Byrd did.

(on camera): Governor Manchin may appoint someone to serve in the Senate between now and the future elections. He tells FOX he will not appoint himself.

In Washington, Molly Henneberg, FOX News.

(END VIDEOTAPE)

WALLACE: And we have just learned that Governor Manchin has called that special session of the West Virginia legislature for next Thursday.

Protests in Oakland, California, turned violent today. After -- rather, Thursday, after a jury convicted a former, a white former transit officer of involuntary manslaughter instead of murder in the shooting death of an unarmed black man. Police made 83 arrests. The verdict prompted a Justice Department promise to, quote, "conduct an independent review of the facts and circumstances to determine whether the evidence warrants federal prosecution." Local media have published a letter from the man involved in the shooting saying he is sorry and wishes he could speak with members of the victim's family.

Well, one Arab nation is going to extremes over those vuvuzelas at the World Cup. We'll have that story on "The Grapevine." And the end could be in sight for the **gulf oil spill**.

WALLACE: BP engineers will try this weekend to put a new cap on the **gulf oil spill** that we're told could effectively contain all the oil. But the process of replacing the cap will let the crude flow freely into the water for a number of days.

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We have FOX team coverage. Senior correspondent Brian Wilson looks at whether the rewards of offshore drilling outweigh the risks. But we begin with correspondent Phil Keating who shows us how technically challenging these next few weeks will be.

(BEGIN VIDEOTAPE)

PHIL KEATING, FOX NEWS CORRESPONDENT (voice-over): For 11 weeks now, up to 60,000 barrels of oil a day and some estimate more than that have been spilling into the Gulf of Mexico. The oil collection and containment ships on the surface have been collecting about 25,000 barrels a day with a partial cap on the pipeline. But BP and the government are now ready to seal the wellhead entirely.

The ambitious plan involves removing the existing cap Saturday, which means for three or four days, oil and gas will escape into the gulf unchecked. After the pipe is re-cut for a more snug fit, a new dome-like cap will be lowered onto the wellhead to seal it shut. While oil collection shifts above, we'll then be able to double the amount of oil captured each day. Plugging BP's gusher permanently will still rely on the relief well, intercepting the blowing Macondo well at 18,000 feet down, cementing it shut and according to the plan, stopping the flow of oil into the gulf once and for all.

ADM THAD ALLEN (RET), NATIONAL INCIDENT COMMANDER: It will be the middle of August until we have actually cap the well. It could be sooner than that. We will be delighted if it would be.

KEATING: A new weapon is now floating onto the scene. Delayed for days by stormy weather, the Navy's MZ3A airship is now above Alabama's coastline. Due to its slow speed and low altitude, eyes in the sky will better direct crews on the ground and in the water where to go to skim and collect oil and lay boom.

In Lake Pontchartrain near New Orleans, men and women with absorbent towels wipe brown oil from the marshes, tediously cleaning blade after blade of bayou grass.

KEVIN DAVIS, TAMMANY PARISH RESIDENT: It's just frustrating. You want to see an end. You want to do everything you can to stop it. And it's just an everyday battle.

(END VIDEOTAPE)

KEATING: Now Admiral Thad Allen today restating his optimism here that if everything goes well and they have seven to 10 days of good weather forecast by NOAA ahead of them right now, if everything goes well and this cap does work as snugly as they hope, that truly, all of the oil gushing into the Gulf of Mexico could be captured 100 percent by the three surface ships on top. The Helix producer being hooked up this weekend.

Now updating you on the government's moratorium, which the Fifth Circuit Court of Appeals ruled late last night, that it denied the Department of Justice's bid to keep that moratorium in place pending the government's full appeal which begins August 30th, the Department of Interior believes that the secretary still maintains an emergency stay if possible. And one of the concerns here is that other oil companies have no containment and response vessels available if another spill happened, because they're all tied up with the BP spill.

WALLACE: Phil Keating reporting from the gulf. Phil, thanks for that.

These last 81 days we've had plenty of evidence of the downside of offshore drilling. But tonight, senior correspondent Brian Wilson looks at whether the upside justifies that risk.

(BEGIN VIDEOTAPE)

BRIAN WILSON, FOX NEWS SENIOR CORRESPONDENT (voice-over): The BP spill in the gulf may well be the worst ecological disaster in the history of the United States. When you see pictures like this, or like this, it's easy to wonder about the wisdom of offshore drilling. Is it really worth the risk?

Well, we've been drilling in the gulf since the mid-'40s. There are more than 50,000 well holes punched into the seabed just off the U.S. coast. And yet in more than 60 years of gulf drilling, the BP spill is the first major spill to occur in the U.S. coastal waters of the Gulf of Mexico.

RAYOLA DOUGHER, AMERICAN PETROLEUM INSTITUTE: Up until this accident, I mean, since 1947, the spill rate in the Gulf of Mexico is 1/1,000th of one percent of all of the oil produced. They have had a stellar record.

WILSON: The Gulf of Mexico provides 10.6 percent of the crude we use in America each day, roughly equal to the amount of crude we take in from Canada, our single largest provider of imported crude. And from that gulf crude col-

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lected each day, we produce roughly 31.2 million gallons of gasoline, enough on average to drive every car registered in America roughly nine miles. That same crude provides 6.5 million gallons of jet fuel, enough to fly a fully loaded Boeing 737 to the moon nine times. So if you drove your car today or bought goods that were delivered by truck, or took a vacation flight to get away from it all, you benefited from the drilling that occurs in the Gulf of Mexico. And if that oil weren't there, it would have a dramatic impact on the U.S. economy.

DANIEL KISH, INSTITUTE FOR ENERGY RESEARCH: We want less prosperity. And a great way to do that is to cut off oil.

WILSON: And if we had to replace the oil we take from the gulf, it would mean that three-quarters of the oil we use every day would have to be imported. We already import 64 percent of our oil.

(END VIDEOTAPE)

WILSON: Some may remember the oil shortages of 1973, long gasoline lines, skyrocketing prices. Well, that occurred when OPEC held back just seven percent of the oil it had been sending. Again, we currently get 10 percent of our crude from the gulf. Clearly, the BP spill is a disaster the likes we have never seen, but to stop or significantly curtail the drilling in the gulf could create an economic disaster -- Chris.

WALLACE: No easy answer here. Brian, thank you for that.

There was mixed news from wholesalers today. Inventories rose in May by half a percentage point, but sales were down three-tenths of a point.

Stocks ended the week on a positive note. The Dow gained 59. The S&P 500 added 7 3/4. Nasdaq was up 21.

Legal experts say Thursday's ruling by a judge in Boston that the federal law banning benefits for same-sex couples as unconstitutional could have a ripple effect. Massachusetts was the first law to legalize gay marriage. Now, correspondent Molly Line reports that may blaze another new trail.

(BEGIN VIDEOTAPE)

MOLLY LINE, FOX NEWS CORRESPONDENT (voice-over): Six years after Massachusetts became the first state in the union to legalize gay marriage, a U.S. district court judge in Boston has ruled portions of the federal Defense of Marriage Act unconstitutional.

Enacted by Congress in 1996, DOMA defines marriage between man and a woman, but Massachusetts argued the law denies federal benefits such as Medicaid to same-sex couples in a state where such unions are legal. Ruling in two separate challenges, Judge Joseph Tauro said the law discriminates against same-sex couples, writing in his decision that, "Congress undertook this classification for the one purpose that lies entirely outside of legislative bounds, to disadvantage a group of which it disapproves." The decisions were hailed by Massachusetts Attorney General Martha Coakley who filed one of the suits.

MARTHA COAKLEY (D), MASSACHUSETTS ATTORNEY GENERAL: I hope that they show progress towards the understanding of all that marriage equality is a civil rights issue.

LINE: But opponents are decrying the ruling saying this is just another example of judicial activism.

KRIS MINEAU, MASSACHUSETTS FAMILY INSTITUTE: This decision is outrageous. This judge has found that there's no reason whatsoever for marriage to be defined as a man and a woman. He's totally abrogated 10,000 years of recorded history for all cultures and all societies.

LINE (on camera): The judge's decisions apply to federal recognition of heterosexual marriage, not the parts of the act that gives states the right to decide which marriages to respect. Solicitor general and Supreme Court nominee Elena Kagan was involved with this and other DOMA cases. In the California case, the Justice Department indicated the Obama administration believes DOMA to be discriminatory and supports its repeal.

In Boston, Molly Line, FOX News.

(END VIDEOTAPE)

WALLACE: A Pentagon spokesman is dismissing criticism from gay rights advocates that a survey asking troops about the possible repeal of the "Don't Ask, Don't Tell" policy is biased. Gay groups say the questionnaire assumes troops do

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not want to serve with openly gay colleagues. Press Secretary Geoff Morrell told reporters the complaint was, quote, "nonsense."

Well, we'll tell you about a situation with sun, sand and water that is no day at the beach. And the United Nations takes a stand, sort of, on North Korea's alleged sinking of a South Korean warship.

WALLACE: Checking world headlines now. Allied forces in Afghanistan have captured the Taliban commander said to be responsible for bringing Pakistani militants across the border to launch attacks. They are not identifying the man for security reasons.

Another aid ship may soon challenge the Israeli naval blockade of Gaza. A vessel commissioned by a Libyan charity is preparing to sail from Greece. It is said to be carrying 2,000 tons of food and medical supplies. The Israeli military would not comment.

Israeli Prime Minister Benjamin Netanyahu will be my exclusive guest on "FOX News Sunday" this weekend. One of the topics we discussed, the timing for Palestinian statehood.

(BEGIN VIDEO CLIP)

BENJAMIN NETANYAHU, ISRAELI PRIME MINISTER: I think there can be a solution. It may be implemented over time, because time is an important factor of getting the solution both in terms of security arrangements, and other things that would be difficult if they are not allowed to take place over time. So I think the kind of, can we have negotiated peace? Yes. Can it be implemented by 2012? I think it's going to take longer than that.

(END VIDEO CLIP)

WALLACE: North Korea has reversed itself and now wants to talk to the U.S. about the sinking of a South Korean warship in March. National correspondent Steve Centanni reports the request came as the U.N. weighed in on the incident.

(BEGIN VIDEOTAPE)

STEVE CENTANNI, FOX NEWS NATIONAL CORRESPONDENT (voice-over): After a month of debate, the U.N. Security Council unanimously issued a statement condemning the attack in late March that caused the sinking of the South Korean warship, Cheonan, resulting in the deaths of 46 sailors. It's an odd document because it condemns the attack and notes that investigators found North Korea to be responsible but it only expresses, quote, "deep concern" over that finding without stating directly that North Korea is to blame.

GORDON CHANG, "NUCLEAR SHOWDOWN" AUTHOR: This is the U.N. at its worst. No resolution, no sanctions, no condemnation of North Korea.

CENTANNI: Even so, the U.S. ambassador to the United Nations welcomed the statement.

SUSAN RICE, US AMBASSADOR TO UN: The message to North Korean leadership is crystal clear. The Security Council condemns and deplors this attack. It warns against any further attacks and insists on full adherence to the Korean armistice agreement.

CENTANNI: The White House reacted by saying this statement increases North Korea's international isolation, as the international community continues to make clear the cost that comes with North Korea's provocative behavior. Pressure from China apparently prevented the Security Council from agreeing on language specifically blaming North Korea.

CHANG: For 60 years, Beijing and Pyongyang have been the best of friends. And by now, we all should get the hint of what's going on.

CENTANNI: Meantime, the circumstances surrounding the sinking of the Cheonan are still in dispute. Today, two U.S.-based South Korean researchers, Seung Hun Lee (ph) of the University of Virginia and Jae-Jung Suh (ph) of Johns Hopkins University, announced in Tokyo that their own experiments do not support the international finding that a North Korean torpedo sunk the Cheonan, but they offer no alternative explanation.

(END VIDEOTAPE)

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CENTANNI: And today, the Pentagon is confirming North Korea is now proposing military talks with the U.S. to discuss the sinking of the Cheonan. An official here says the U.S. will be looking at that proposal and taking it under consideration -- Chris.

WALLACE: Steve Centanni reporting from the Pentagon. Steve, thank you.

A terror group says one cable news channel is guilty of intellectual terrorism. Plus, if you hate those vuvuzelas, and who doesn't, we have the perfect place for you to visit.

CHRIS WALLACE, FOX NEWS HOST: And now some fresh pickings from the "Political Grapevine."

In today's Friday follow-up segment we update a story we've been tracking this week. The Lebanese militant group Hezbollah is now accusing CNN of "intellectual terrorism" for firing a senior editor Octavia Nasr, who pointed a message on the twitter account mourning the death of a Shiite cleric classified terrorist by the U.S.

Nasr later acknowledged an error in the tweet saying, quote, "Sad to hear of the passing of Sayyed Mohammed Hussein Fadlallah, one of Hezbollah's giants I respect a lot."

Hezbollah says the network's decision to fire her reflects the west's double standard dealing with the Mideast. CNN officials say Nasr's credibility had been compromised.

And unpaid intern for Colorado Democratic Senator Michael Bennett's campaign, this is an intern, has been fired for allegedly telling an acquaintance that a one-on-one meeting with the senator to discuss legislation could be arranged for \$2,400.

The "Wall Street Journal" reports the 22-year-old college student also wrote in an e-mail that "hosting an event for \$5,000 or more would offer a better chance to lobby Michael."

And in World Cup news, if you are sick and tired of the endless buzzing noise made by the South African vuvuzelas, you should head to the United Arab Emirates. That country's general authority of Islamic affairs issued a fatwa, a religious edict banning the horn from the country if they exceed 100 decibels, saying they create "an unholy racket."

And Paul the psychic octopus who hails from Germany may need extra security for this weekend's championship final between Spain and the Netherlands. The mollusk, which predicted Spain will win Sunday, is 6-6 so far in the World Cup forecast. But after he accurately predicted Germany would defeat Argentina in the quarterfinals, Paul received death threats from the angry Argentines who threatened to eat him to get even.

Among the unintended consequences of the new healthcare law is one that may give some people a new ailment -- writer's cramp from paperwork overload. Chief Washington correspondent Jim Angle explains.

(BEGIN VIDEOTAPE)

JIM ANGLE, FOX NEWS CHIEF WASHINGTON CORRESPONDENT: Small business is having problems with one part of the health care law that has nothing to do with health care.

BOB MCCUTCHEON, MCCUTCHEON'S APPLE PRODUCTS: It will be an onerous amount of record-keeping and lots of paper flying around just to validate these payments.

ANGLE: He and other small business owners are unhappy the law will force them to file million of new documents, a 1099 IRS form on anyone whom they pay more than \$600 over a year, swamping them with paperwork.

DAN LUNGREN, (R) CALIFORNIA REPRESENTATIVE: The impact on businesses large and small is oppressive and people are beginning to understand that.

ANGLE: Lungren has 90 cosponsors for a bill to repeal the provision which would require small business to keep running account of all purchases all year long from office supplies to the hardware store.

DAVID BYBEE, NATIONAL BOOKKEEPERS ASSOCIATION: There is no doubt in anybody's mind the small businesses, the charities, the certified public accountants, all professionals know this will definitely be a major burden.

ANGLE: If it is such a burden, why require the new paperwork at all, because theoretically, it brings in money, and Democrats needed money to make the healthcare bill look like it reviews the deficit?

BYBEE: The major reason for new provision in healthcare reform is to help offset the cost of healthcare.

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ANGLE: The IRS makes many businesses don't report all their income, and requiring the 1099s will flush out the \$17 billion in unpaid taxes.

The ombudsman for the IRS, known as the taxpayer advocate, raises all sorts of questions about the new law, saying this new requirement has generated a great deal of concern because of its potential to create administrative burdens for businesses, vendors and the IRS -- the IRS because if businesses are generating millions of new forms, the IRS has to sort through them but got no money from Congress to do it.

The taxpayer advocate also questions whether the new requirement will generate enough unreported taxes to justify the burden.

BYBEE: Most professionals agree that it's going to cost small businesses and charities and even small governments more than \$17 billion, a lot more, to be able to produce the paperwork.

ANGLE (on camera): So just one provision of the new healthcare law will create big problems for the very sector of the economy that creates most of the jobs in America.

In Washington, Jim Angle, FOX News.

(END VIDEOTAPE)

WALLACE: For many people, few things are more relaxing than a walk on beach. But in some New Jersey communities, instead of relaxing, it is a growing source of tension.

Correspondent Laura Ingle reports on a situation that is turning out to be no day at the beach.

(BEGIN VIDEOTAPE)

LAURA INGLE, FOX NEWS CORRESPONDENT: There are 127 miles of coastline in the state of New Jersey, 85 percent is beach front property, which helps bring the Garden State \$40 billion in tourism revenue every year. But there is a problem with public access along some stretches of the Jersey Shore, whether several beach town and homeowners tried to discourage visitors.

TIM DILLINGHAM, AMERICAN LITTORAL SOCIETY: They used no parking, not providing access, fines, a whole series of efforts to keep people from using the beach.

INGLE: State law says the area between the ocean and the high water mark is public property. So taxpayers and tourists are demanding access to the beach area, forcing the state to step in.

The New Jersey Department of Environmental Protection has a new plan to improve the access allowing each town to make up its own rules subject to the agency's approval.

BOB MARTIN, NEW JERSEY ENVIRONMENT PROTECTION DEPARTMENT: By giving them the flexibility, they can direct all their resources to one part of their town or across the entire town, whatever makes sense for them. That's what we are looking for, a common sense approach to public access.

INGLE: But not everyone thinks that idea will work.

DILLINGHAM: Towns will always do the minimum unless the state steps in and says no, you are required to protect public access and required to provide facilities and parking, you're required to do the right thing.

INGLE: The mayor of Long Beach Township, where there are some tightly restricted beaches, says he's on board.

JOSEPH MANCINI, LONG BEACH TOWNSHIP MAYOR: We really know what we need. No law fits every municipality. Everyone is different.

INGLE (on camera): While there are no set date on when the new common sense plan would go into effect, beach goers say they hope the access would improve soon so they too can enjoy every inch of the beaches.

On Long Beach Island, New Jersey, Laura Ingle, FOX News.

(END VIDEOTAPE)

WALLACE: Where does the federal government go now that its ban on benefits for gay couples has been ruled unconstitutional? We'll ask our panel when we come right back.

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(BEGIN VIDEO CLIP)

KRIS MINEAU, MASSACHUSETTS FAMILY INSTITUTE: This judge has found that there is no reason whatsoever for marriage to be defined as a man and a woman. He's totally abrogated 10,000 years of recorded history for all the cultures and all societies.

(END VIDEO CLIP)

WALLACE: Strong reaction in Massachusetts to a court ruling against part of the Defense of Marriage Act. Let's bring in our panel to discuss it, Bill Kristol of "The Weekly Standard," Erin Billings from "Roll Call," and syndicated columnist Charles Krauthammer.

We had two rulings yesterday by a federal judge the Defense of Marriage Act is unconstitutional in barring federal benefits for same-sex couples in the state of Massachusetts where they can legally be married. Bill, what do you make of the judge's decision?

BILL KRISTOL, EDITOR, "THE WEEKLY STANDARD": I believe a commentator said it, I think it's a pretty ridiculous decision. The federal court can specify what marriage is for the purposes of this federal program.

They're not barring Massachusetts from permitting same-sex marriage or giving whatever benefits they want. The idea that the federal government has to defer to Massachusetts in terms of who is eligible for Social Security is an odd judgment by the judge.

WALLACE: But, Erin, picking up on the judge, Federal Judge Joseph Torro, he says DOMA reaches state sovereignty and says it's motivated by "irrational prejudice," which, "never constitutes a legitimate government interest."

BILLINGS: Well, that's right. It's interesting because we have the states' rights issue rearing its head in this, and you have progressives now advocating for state's rights which is typically something that conservatives are trumpeting.

So, yes, an interesting ruling. I'm anxious to see if and when the DOJ does appeal it. And I'm anxious to see if it changes the debate on Capitol Hill. Obviously there is a repeal pending on DOMA. It hasn't gone anywhere. Pelosi said not this time, but I bet it could cause gay rights advocates to pick it up.

WALLACE: It's interesting, the state's rights issue, because some critics said it was almost as if the judge in the case said you like the Tenth Amendment, I'll give you the Tenth Amendment.

CHARLES KRAUTHAMMER, SYNDICATED COLUMNIST: Well, if you will give it, I'll take it. In fact, I think it is rather hypocritical that a liberal judge will invoke it. But that is one of the themes of conservative philosophy, that is the Tenth Amendment has been completely overlooked, what it says essentially is anything not enumerated, not specially, specifically handed to the jurisdiction of the federal government belongs to the people of the states. It's rally cry of the tea party movement among others.

So if he wants to invoke it here, I might want to take a hit for the team because Obama-care won't stand a minute of scrutiny under Tenth Amendment analysis, Obama-care, which mandates that an individual in the country has to enter into a private contract with an insurer on healthcare wouldn't withstand the Tenth Amendment.

So, look, I'm sure it will be overturned, "a," because of what was said earlier, a judge is not the one who rules on high, what is irrational prejudice and what is rational social policy. It has been the policy of civilized states for thousands of years to have a man and a woman. So I think it will be overruled on two counts.

If he wants to give us the Tenth Amendment, I'll take it.

WALLACE: Two more issues I want to get into quickly with regard to this. One is that meanwhile, while this is going on in Massachusetts, a federal judge in California, Bill, is considering a challenge to Proposition 8, which voters in California passed last November to define marriage as that between a man and a woman.

When you look at what is going on in Massachusetts and what is going on in California, where do you see the legal future of same-sex marriage?

KRISTOL: I think there are a lot of judges that would like to take this in their own hand and do what the political branches and the voters are unwilling to do, which is to legislate same-sex marriage for the country or most states in the country.

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I think this will be a big issue in 2012. The Defense of Marriage Act was passed by Congress in 1996 and signed by President Clinton. There is a Democratic president and Democratic Congress right now. If they want to change the Defense of Marriage Act and say it's safe to have same-sex marriage act or then benefits will flow to both members of that marriage, Social Security, et cetera, they can amend it.

If the voters of California want a referendum on same-sex marriage -- I think conservatives will rally to the proposition. Judges have a much more limited role and these matters should be decided democratically.

WALLACE: Erin, Bill talked about 2012. We have an election a little sooner than that in 2010. We know, in 2004, how potent the issue of gay marriage can be, whether it's to ban it or not on several state ballots. Do you think it could be a voting issue in November?

BILLINGS: Gay rights issues have been in the past and they were in 2006. A lot of Democrats and Republicans use them in the campaign. Certainly it could.

I think it will also come up again in Elena Kagan's Supreme Court, not her hearing but the debate on Senate floor when she goes up for confirmation. I definitely think it will be part of debate. Will it be a defining issue? I tend not to think so.

WALLACE: Less than a minute. Charles?

KRAUTHAMMER: I think Republicans and conservatives ought to take a principled stand on grounds of federalism. As Bill indicates, if a state is going to adopt it and it does it by referendum or in the legislature, it ought to be respected.

If it's a judge, as in Massachusetts, who was under a ruling of a 4-3 majority of the high court, I think that is truly illegitimate and undemocratic.

So I don't want to see it undone in the state like California where it passed, where a ban on it was approved by referendum. Judges ought to stay out of this in the same way we learned lesson on abortion. We don't want the courts ruling for the whole country. Let each state decide according to its own societal norms and habits.

WALLACE: All right, we have to leave it there.

The people have spoken on our home page at [FOXnews.com/SpecialReport](http://FOXnews.com/SpecialReport) on which topic should lead the Friday lightning round. We'll reveal your winner when we return.

WALLACE: Every week on the [FOXnews.com/SpecialReport](http://FOXnews.com/SpecialReport) page, viewers vote on what topic we should discuss first during the Friday lightning round.

And today -- and this is getting a little bit repetitive -- yep, Charles wild card. Not that it in any way diminishes your triumph, Charles, but would you like to share some thoughts with us?

KRAUTHAMMER: Yes. Let me say once again I'm humbled by the confidence of the viewers.

The wild card question for the week is what the most underreported story? And the correct answer is that in Aspen this week, the ambassador of the United Arab Emirates said that he not only supports but almost invites, welcomes, demands a U.S. attack on the Iranian nuclear facilities because, he says, it is impossible to imagine living in deterrents or containments on Iran and even says without nukes it's still aggressive and cannot be contained.

And I think he speaks for a lot of Arab states in saying that, and he said it openly and publicly.

WALLACE: Erin?

BILLINGS: I'll take a different tact. This is shocking for Charles. I think the most underreported story is the fact that Jim Traficant cannot make a comeback and will not be on the ballot in November, a former Democratic House member who just got out of prison. Why? Because everybody cared about LeBron James moving to the Heat.

So Cleveland, Ohio, lost two --

WALLACE: Giants.

BILLINGS: Two huge figures.

WALLACE: Well, actually, I think they're batting .500. In any case, I know you thought, Bill, that the most underreported story was LeBron James. But other than that?

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KRISTOL: Other than that giant, LeBron James. Last night in Portland, Oregon, Vice President Joe Biden went to a fundraiser for freshman Democratic congressman named Kurt Schraeder who has been a bitter critic of the war of Afghanistan and voted to cut off funding to the troops.

And Vice President Joe Biden serves under President Obama who committed troops to Afghanistan and made a big deal about winning the war there, said to Congressman Schraeder "I encourage you, old buddy, to speak out." It's really wonderful that the vice president encouraging undermining of the president's war policy.

WALLACE: Subject two, the Obama administration went to court in Louisiana this week for the second time, now trying to reinstate the six-month moratorium on deepwater drilling which was thrown out by another court. They failed again, roundly and very swiftly rebuffed. Your thoughts?

KRAUTHAMMER: It's being delayed -- the hearing will be delayed until the end of August. If you do the calculations, in the end, the moratorium will expire by the time the government has lost all of its appeal.

So in other words the government will win because the moratorium will remain in place, and essentially no one will be drilling knowing that another hearing is coming up.

WALLACE: Erin?

BILLINGS: I agree. I think it's kind of a moot point. I don't think any of the companies are anxious to start doing any deepwater drilling in the Gulf given the circumstances, given what is going on. So I'm not sure if the moratorium really matters at this point.

WALLACE: It is stunning that it's been defeated by two judges so quickly and so roundly and strongly, vociferously.

KRISTOL: A lot of companies do want to keep drilling in the Gulf and a lot of workers want to work there, and we're losing jobs as a result of this. Obama administration general attitude towards contract and rules and regulations is there is an oil spill, we want to change everything, so we'll declare a moratorium.

You really don't have the authority to do that unless there is a law that permits you to, and it turns out in this case a federal judge says there isn't.

WALLACE: Finally.

KRAUTHAMMER: Unless appeals are exhausted no one will drill.

WALLACE: Finally, we can't ignore what was the biggest story this week and I made reference to it before, and that was the decision of LeBron James, where to play basketball and be paid tens of millions of dollars. It certainly was the biggest story in terms of public interest.

Starting with you, Bill, what do you make with the spectacle and the fascination -- it was the biggest story and most watched television show last night on cable or broadcast, and what do you make of his choice?

KRISTOL: It wasn't watched by me, so I'm out of touch once again with the American public. I root against the Miami Heat like I do against the Yankees and all these teams who try to buy up all the talent.

WALLACE: That's it?

KRISTOL: That's it.

(LAUGHTER)

WALLACE: What do you make of the fact we cared about it so much?

KRISTOL: Basketball is a popular sport and one of the two greatest basketball players playing today. And there is suspense. And I guess people didn't have much else to do last night.

WALLACE: Erin?

BILLINGS: Sports is business but it's also emotional. You know, everybody likes to have someone to hate and everyone likes to have someone to love. Clearly people in Cleveland, they got someone to hate right now.

KRAUTHAMMER: Look, LeBron is not the first man to abandon his high school sweetheart in favor of a comely model walking down south beach. But he is the first to announce in a primetime special on television.

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So my advice is to follow Paul Simon's advice in "50 ways to leave your lover," "slip out the back, Jack, leave the key, Lee, don't be coy, Roy, get yourself free." He won't be hated if he does that.

WALLACE: Well, incidentally, the owner of the Cleveland Cavaliers roasted him, roasted him.

That's it for panel, but stay tuned to see a fan's reaction when a player goes into the stands.

WALLACE: Finally tonight, as we've seen with the LeBron James soap opera, sports fans get awfully excited about their heroes, and it turns out it isn't just LeBron.

(BEGIN VIDEO CLIP)

UNIDENTIFIED MALE: You see him lean in and just come up a little bit shy.

(LAUGHTER)

He was almost in her lap.

(LAUGHTER)

(END VIDEO CLIP)

WALLACE: That's the way we all feel about sitting here on the panel with Charles.

And that's it for "Special Report." Bret will be back here Monday. I'm Chris Wallace. Goodnight from Washington and we will see you here this weekend "FOX News Sunday."

**LOAD-DATE:** July 9, 2010

**LANGUAGE:** ENGLISH

**TRANSCRIPT:** 070901cb.254

**DOCUMENT-TYPE:** Show

**PUBLICATION-TYPE:** Transcript

386 of 1000 DOCUMENTS

Fox News Network

June 15, 2010 Tuesday

SHOW: FOX SPECIAL REPORT WITH BRET BAIER 6:00 PM EST

## Political Headlines

**BYLINE:** Bret Baier, Major Garrett, James Rosen, Greg Palkot, Steve Centanni, David Lee Miller, Carl Cameron, Molly Henneberg, Jim Angle

**SECTION:** NEWS; Domestic

**LENGTH:** 4525 words

BRET BAIER, FOX NEWS ANCHOR: Good evening. I'm Bret Baier. And this is a FOX News alert.

As you look live at the oil spewing into the Gulf of Mexico, the National Incident Command for the **gulf oil spill** has just revised upward the estimate of how much oil is actually flowing into the water every day. The new estimate is now between 35,000 and 60,000 barrels per day. That is up from last week's figure of between 20,000 and 40,000. That is roughly the equivalent of one Exxon Valdez spill every five days. President Obama tonight makes the **gulf oil spill** and his leadership of the response the focus of his first Oval Office address to the nation.

We have FOX team coverage tonight. Correspondent Greg Palkot is in London where BP stock took another hit today. Correspondent James Rosen is on Capitol Hill where oil company executives were grilled by lawmakers. But we begin with senior White House correspondent Major Garrett on the president's day and what to expect tonight.

(BEGIN VIDEOTAPE)

MAJOR GARRETT, FOX NEWS SENIOR WHITE HOUSE CORRESPONDENT (voice over): On the beach in Pensacola, a president reconciled to an endless summer of leaking BP oil tried again to contain the economic damage by highlighting oil-free beaches.

BARACK OBAMA, PRESIDENT OF THE UNITED STATES: This is still a place that's open for business and welcoming to vacationers and people can have a wonderful holiday here. And I know the mayor wants to emphasize that. But there are obviously fears about the oil that is offshore.

GARRETT: But there's a bit of photo-op fatigue in the gulf and criticism Mr. Obama hasn't waived the Jones Act to allow foreign flag vessels to join the armada of U.S. vessels spotting and skimming oil.

UNIDENTIFIED FEMALE: I think something should have been done right after the spill. I believe the Jones Act should have been waived at that time.

GARRETT: It's a fine line for Mr. Obama, absorbing details of the spill in various choreographed events in Pensacola and Dauphin Island, Alabama, where he rode a ferry to Fort Morgan or a restaurant tour in tourist-depleted Orange Beach, Alabama. The president knows now it's pointless to talk about plugging the damn hole. Tonight's speech is about efforts to contain the spill and not incidentally to reverse the toll it's taken on his leadership skills. Central to both is streamlining tangled bureaucracies that bedevil local residents. Kendall Stork owns the Lighthouse Restaurant in Bayou La Batre, Alabama.

KENDALL STORK, LIGHTHOUSE RESTAURANT OWNER: There are so many hands in this deal now. You've got the government. You've got BP. You've got the environmentalists. It's like a -- it's like a circus.

GARRETT: Mr. Obama is near to sealing a deal with BP to set up a multi-billion dollar escrow fund to pay pending claims and to create an outside board to review claims BP denies. At Pensacola Naval Air Station, Mr. Obama previewed one part of tonight's speech. The slick may have the upper hand but it won't prevail.

BARACK OBAMA, PRESIDENT OF THE UNITED STATES: This is an assault on our shores. And we're going to fight back with everything that we've got.

(END VIDEOTAPE)

GARRETT: The White House calls this speech an inflection point. In differential calculus, an inflection point is a point on a curve where things move from negative to positive. In other words, a turning point when the country sees the president in command and control of the situation. But the **gulf oil spill** has not lacked for rhetoric or federal intervention and whether or not the president can turn around those perceptions is a great unanswered question right now -- Bret.

BAIER: And, Major, we were hoping for some excerpts from the speech, at 5:30. Got delayed. Last-minute changes perhaps?

GARRETT: Last-minute changes perhaps. And as with much in the response from the White House and the federal response to the gulf spill, a little bit behind the curve.

BAIER: OK. Major, thank you.

President Obama has appointed former Justice Department inspector general Michael Bromwich to head the troubled Minerals Management Service. The agency has been accused of having too cozy a relationship with the oil companies it regulates.

There was a small fire on the main ship holding oil being siphoned to the surface. It is believed a lightning strike started the fire on the Discoverer Enterprise. It was extinguished without injury. The ship we're told has resumed operations.

Meantime, lawmakers on Capitol Hill got their shots in today as oil company bosses came before them. Correspondent James Rosen reports it was every man for himself.

(BEGIN VIDEOTAPE)

JAMES ROSEN, FOX NEWS CORRESPONDENT (voice over): Within minutes of the five oil executives appearing before the House Energy and Commerce Committee, it must have dawned on BP America Chief Lamar McKay that he had as much to fear from his corporate colleagues as from hostile lawmakers.

UNIDENTIFIED MALE: We would not have drilled the well the way they did.

JOHN WATSON, CHEVRON CEO: The casing design and mechanical barriers that were put in place appear to be different than what we would use.

ROSEN: Those ex-post facto assurances came after a committee of Democrats circulated and leaked to the media internal BP e-mails sent in the tense week before the Deepwater Horizon rig exploded on April 20th. The e-mails appear to show BP taking cost-cutting measures that may have contributed to the disaster. These include using only six centralizers to stabilize the well, not 21 as urged by contractor Halliburton.

On April 16th, four days before the blast, a BP engineer brushed off that decision saying, "Who cares? It's done. End of story. We'll probably be fine." And that was two days after a BP engineer said Deepwater Horizon has been a nightmare well which has everyone all over the place.

ED MARKEY (D-MA), HOUSE ENERGY & COMMERCE CMTE: On the day that you are ready to apologize, that is the day that we can begin to move forward and put together the kinds of plans that make sure this never happens again.

ROSEN: Democrats hammered the executives for relying on largely identical and hopelessly inadequate disaster relief plans. Exxon Mobil caved on the point.

REX TILLERSON, EXXON MOBIL CEO: When they happened, we're not very well equipped to deal with them.

ROSEN: But BP's McKay did not.

LAMAR MCKAY, BP AMERICA CHAIRMAN: I think the command structure has actually been functional, and the spill response plans have been leaned upon and been the foundation of that.

ROSEN: Republicans in the minority argued for continued drilling in the gulf and rebuked the Democrats on the committee and in the White House for playing politics with the disaster.

JOE BARTON (R-TX), HOUSE ENERGY & COMMERCE CMTE: If the president of the United States has got a better idea of how to solve this problem right now, he can pick up the phone and tell BP exactly what to do. And the fact that there are none is simply because the laws of nature and the laws of physics don't respond to 30-second sound bites.

(END VIDEOTAPE)

ROSEN: Republican Congressman Ed Whitfield of Kentucky asked BP's McKay if he was aware of any of these concerns or problems with this well prior to it exploding. McKay in an answer that is sure to be heavily scrutinized by the Department of Justice which is conducting its own parallel criminal investigation replied no, he was not -- Bret.

BAIER: James Rosen live on the Hill tonight. James, thanks.

BP's price tag for the spill figures to be in the tens of billions of dollars. Correspondent Greg Palkot is in London tonight with more on the huge costs in both money and reputation.

(BEGIN VIDEOTAPE)

GREG PALKOT, FOX NEWS CORRESPONDENT (voice-over): As the oil spill in the Gulf of Mexico grows, so do the demands of BP from Washington and clean-up costs and claims.

CHARLES SCHUMER (D), NEW YORK SENATOR: We're here today to remind BP that their responsibility for cleaning up this mess both environmentally and economically trumps their responsibility to their shareholders.

PALKOT: President Obama and Senate Democrats are demanding an independently administered fund, Democrats say as much as \$20 billion to make sure all claims are covered, even those of oil rig workers who are idle due to a White House called moratorium on drilling in the gulf. They've also rebuffed BP plans to pay out dividends to its stockholders. Even BP critics think D.C. is going too far.

TOM BOWER, AUTHOR: The White House or Congress can extract from BP more than it's entitled to have to pay under the law.

PALKOT: All this is doing damage to BP's financial standing. Its stock price was down in London trading again today. The start of the spill crisis picked up and has lost nearly half of its value. And despite real or perceived anti-British rhetoric from Washington, that damage is being done to a company important to the U.S. BP runs nearly 12,000 gas stations in the states. Has some 30,000 American employees. And 40 percent of its stock is held in the U.S. as well.

MALCOLM GRAHAM-WOOD, OIL ANALYST: It's not in America's interest to get rid of BP. They pay a lot of taxes. They employ a lot of people.

PALKOT: As BP ramps up its clean-up effort, it's also in a financial pushback. FOX sister network Sky News reports BP is contacting investment banks to raise \$7.5 billion to improve cash flow.

Some things though might not be salvageable. BP chief executive Tony Hayward will attend a meeting with President Obama at the White House tomorrow and testify before Congress Thursday. Most industry analysts tell FOX once the spill is cleaned up, he will be out.

(END VIDEOTAPE)

PALKOT: One (INAUDIBLE) rating agency just downgraded BP's credit worthiness to just above junk bond status. Experts here say Washington politicians should be careful what they are wishing for -- Bret.

BAIER: Greg Palkot live in London tonight. Greg, thank you.

Stocks were up on Wall Street. The Dow gained almost 214. The S&P 500 finished ahead 25 2/3. The Nasdaq was up about 62.

China has increased its holdings of U.S. debt. The Treasury Department says China's investment rose by \$5 billion in April to just over \$900 billion. China is the largest foreign holder of treasury securities.

Not even the best taxpayer funded security can guard against an unlocked door. We'll tell you about it in "The Grapevine." But first, one of the toughest guys in the military brass has a moment of weakness.

BAIER: In world headlines now, the Red Cross says at least several hundred people have died in ethnic fighting in Kyrgyzstan. The official death toll now is 171. The country's second largest city, Osh, is said to be in smoldering ruins tonight. Neighboring Uzbekistan has closed its border after more than 100,000 people head there to escape the violence.

An American claiming to be on a mission to kill Osama bin Laden has been detained in northern Pakistan. Police identify him as 52-year-old California construction worker Gary Brooks Faulkner. He reportedly was carrying a pistol and a 40-inch sword along with religious materials.

The general in charge of Central Command overseeing the wars in Afghanistan and Iraq was on Capitol Hill today, answering some tough questions about troop deployments. But national correspondent Steve Centanni reports it was one other moment that grabbed everyone's attention.

(BEGIN VIDEOTAPE)

STEVE CENTANNI, FOX NEWS NATIONAL CORRESPONDENT (voice-over): When General David Petraeus slumped over the witness table during a Senate hearing on Afghanistan, it took everyone by surprise. It all began with some probing questions about the planned start of a troop withdrawal next summer and the general's continued support of that policy.

CARL LEVIN (D-MI), SENATE ARMED SERVICES CMTE CHMN: Does that represent your best personal, professional judgment?

GEN DAVID PETRAEUS, US CENTRAL COMMAND: In a perfect world, Mr. Chairman, we have to be very careful with timelines.

LEVIN: Do I take that to be a qualified yes, a qualified no, or just a non-answer?

PETRAEUS: A qualified yes, Mr. Chairman.

CENTANNI: Senator John McCain hates the timeline, especially he says in light of recent renewed violence and a slow start to the planned offensive in Kandahar. And it was during one of his questions that the general fainted.

JOHN MCCAIN (R-AZ), SENATE ARMED SERVICES CMTE: I continue to worry a great deal about the message we are sending in the region about whether we're actually going to stay or not and whether we're going to do what's necessary to succeed, rather than set an arbitrary timeline. And the best way to --

CENTANNI: Petraeus was led to a nearby room where a Senate doctor was summoned. Everything checked out and 20 minutes later the general was back on the battlefield.

(APPLAUSE)

Petraeus took his seat and reassured the committee.

PETRAEUS: Though a bit lightheaded there, it wasn't Senator McCain's questions, I assure you.

CENTANNI: Even though the general wanted to continue the hearing, Chairman Levin postponed it until tomorrow. Outside the building, Petraeus still clinging to his cup of water faced reporters' questions.

UNIDENTIFIED MALE: Mr. General, can you tell us what happened, please?

PETRAEUS: Just got a little light headed.

UNIDENTIFIED FEMALE: OK.

PETRAEUS: Got dehydrated. That's all.

(END VIDEOTAPE)

CENTANNI: A concerned President Obama called General Petraeus by phone from Air Force One as he headed home from the gulf. Meantime, in Afghanistan, more violence. Five NATO soldiers killed today including one American -- Bret.

BAIER: Steve Centanni live at the Pentagon tonight. Steve, thank you.

North Korea is threatening a strong reaction if it is punished for the sinking of a South Korean warship, which it claims it did not do. Correspondent David Lee Miller reports the communist country today told its side of the story at the United Nations.

(BEGIN VIDEOTAPE)

DAVID LEE MILLER, FOX NEWS CORRESPONDENT (voice-over): In a rare news conference, North Korea's U.N. ambassador Sin Son Ho said his country was not responsible for the March 26 sinking of a South Korean naval ship and threatened what he called follow-up by the North Korean military in response to any action taken by the U.N. Security Council.

SIN SON HO, NORTH KOREAN AMBASSADOR TO UN: Our people and our army will smash our aggressors.

MILLER: On Monday, delegations from North and South Korea in a closed door session separately presented the council with their own versions of what led to the sinking of the warship Cheonan and the deaths of 46 South Korean sailors on board. The South, based on a multi-national investigation which included the U.S. says its ship was destroyed by a torpedo fired by a North Korean midget submarine.

YOON DUK-YONG, SOUTH KOREAN INVESTIGATOR: We hope that on the basis of these findings, the Security Council will take timely and appropriate measures.

MILLER: North Korea told the council it has been wrongly accused, a claim repeated before reporters.

HO: The conclusive evidence presented by South Korea is nothing more than conclusive doubts.

MILLER: North Korea strongly suggested the U.S. and South Korea had political motives to cause the incident. Ambassador Son Ho repeated his country's request to send its own investigative team to the scene, something that South Korea has turned down.

HO: If the South Korean authorities have nothing to hide, there is no reason for them not to accept our inspection group.

MILLER: On a personal note, North Korea's ambassador offered this assessment of the future.

HO: If any action is taken by the Security Council against us, I lose my job.

MILLER (on camera): Despite the ambassador's joking response, everyone agrees this is not a laughing matter. Today, South Koreans held a nationwide civil defense drill, as tension in the region continues to escalate.

At the U.N., David Lee Miller, FOX News.

(END VIDEOTAPE)

BAIER: President Obama is expected to use the **gulf oil spill** to push for a long-term energy solution tonight. We will detail the legislation he'll be trying to sell. And we will see how the environmental disaster is affecting the Florida Senate race.

BAIER: Leading off "America's Election Headquarters" tonight, the Republican nominee for California governor responds to a report of a physical confrontation with an employee three years ago. The "New York times" says Meg Whitman shoved an eBay worker in 2007. The Whitman campaign calls it a verbal dispute. It also confirms Whitman has chipped in another \$20 million to her -- from her personal fortune bringing her total donation to that campaign to more than \$90 million.

Illinois Republican Senate candidate Mark Kirk is denying he ever improperly mixed politics with his military service. The Pentagon says it has twice warned Kirk after incidents in which he conducted political business while on active duty. Kirk has already admitted several public exaggerations of his military service.

Now to the Senate race in Florida. Chief political correspondent Carl Cameron is in Miami tonight with a look at how the **gulf oil spill** factors into that race.

(BEGIN VIDEOTAPE)

CARL CAMERON, FOX NEWS CHIEF POLITICAL CORRESPONDENT (voice-over): While some governors criticize the president's spill response, Florida Governor Charlie Crist who quit the GOP to run for Senate as independent accentuates the positive.

GOV. CHARLIE CRIST (I-FL), US SENATE CANDIDATE: I applaud the administration. I think that, you know, putting something in escrow, a significant amount of money, I don't think they've come up with the number just yet, is important to do so that those assets are there and people realize that they're there.

CAMERON: Republican nominee Marco Rubio says Crist is playing politics, pulling punches to kiss up to the president.

MARCO RUBIO (R-FL), US SENATE CANDIDATE: Our governor on the other hand, Charlie Crist, is refusing to put pressure on the federal government because he doesn't want to offend Barack Obama. He doesn't want to offend Democrats because he would like to have their votes in November.

CAMERON: Though an independent without a major party apparatus behind him, Crist does have his office as governor and blasts Rubio for opposing a spill-prompted ban on offshore drilling.

CRIST: It's shocking to me that somebody who would be running for the U.S. Senate for Florida would continue to support offshore oil drilling. You think he is running for the U.S. Senate from Texas.

CAMERON: The latest poll shows Crist with a slight lead. The Democratic primary is a circus. Congressman Kendrick Meek went from a virtually uncontested shoo-in to a virtual tie in the polls in a matter of weeks against Palm Beach billionaire and first time candidate Jeff Greene who's blanketing the airwaves.

(BEGIN VIDEO CLIP)

NARRATOR: An outsider willing to take on the career politicians.

JEFF GREENE, US SENATE CANDIDATE: The career politicians had their chance. I want to create jobs, get things done and put Florida first.

(END VIDEO CLIP)

CAMERON: But Greene has baggage. He made his fortune on the housing market collapse, which has devastated Florida. And for a would-be governor, he's colorful. Among other things, boxer Mike Tyson was the best man at his wedding and Hollywood Madame Heidi Fleiss lived in his guesthouse.

(END VIDEOTAPE)

CAMERON: The Democratic primary is still two-and-a-half months off, but right now all the polls say either Charlie Crist or Marco Rubio would soundly defeat either of the two Democrats -- Bret.

BAIER: Carl, for a political reporter, that race just keeps getting better.

CAMERON: It is juicy and it promises a lot more. It's getting nastier by the hour it seems.

BAIER: All right, Carl. Thank you.

Few political issues are more divisive than abortion. Now the Obama administration is considering approval of a new birth control drug that some people consider an abortion pill. Correspondent Molly Henneberg has details.

(BEGIN VIDEOTAPE)

MOLLY HENNEBERG, FOX NEWS CORRESPONDENT (voice-over): It's already approved for use in emergency contraception in Europe. Ella, produced by a French pharmaceutical company, is said to work for five days after unprotected sex by blocking the hormone progesterone which tells a woman's body to release an egg. No egg, no fertilization, no conception is how it's supposed to work. Supporters say emergency contraception available now only works for three days.

AMY ALLINA, NATL WOMEN'S HEALTH NETWORK: What we know from years of contraceptive research is that there's no one contraceptive that meets the needs of every woman in every life circumstance. And so having one that opens up these extra two days is a good addition.

HENNEBERG: An FDA advisory panel will meet on Thursday to discuss whether Ella should be available in the U.S. with a doctor's prescription. But pro-life groups are concerned that Ella also will block the progesterone needed to grow the lining in the uterus that nourishes an embryo. So if a woman takes Ella and doesn't know she's already pregnant, they say the Ella pill could end the pregnancy.

WENDY WRIGHT, CONCERNED WOMEN FOR AMERICA: Which means that women will buy the drug thinking it's a morning after pill, when in fact it is an abortion pill.

HENNEBERG: Pro-choice groups disagree saying in part the dosage isn't high enough to end a pregnancy.

KIRSTEN MOORE, REPRODUCTIVE HEALTH TECH PROJECT: The clinical trial data on Ella had shown that some women who use it to prevent a pregnancy actually go on to carry a pregnancy to term, with no known harmful effects.

HENNEBERG: But pro-life groups say the testing has not been extensive enough.

WRIGHT: If the FDA approves this drug as easy to obtain, all kinds of women will take the drug, even though we don't know from the trials what kind of effect, what kind of serious effect it could have on women.

HENNEBERG (on camera): FDA staff scientists put out a statement today in advance of Thursday's advisory board meeting saying in the data they reviewed Ella caused no deaths and no unexpected side effects. But the scientists said the data was, quote, "too limited to draw any definitive conclusions" about Ella's effect on established pregnancies.

In Washington, Molly Henneberg, FOX News.

(END VIDEOTAPE)

BAIER: Is it tea time? Time well spent for a president who loves golf. And the speaker of the House moves into the high rent district.

BAIER: And now some fresh pickings from the "Political Grapevine."

House Speaker Nancy Pelosi upgraded her San Francisco district office last fall when she moved in a new office building with rent of almost \$19,000 a month paid by taxpayers. "Roll Call" reports that's the highest rent for any House members' office and almost double the next highest.

Pelosi's staff maintains the new office space is a third larger, has increased security measures, and saves taxpayer money through energy-savoring features.

Some on the right are claiming a double standard when it comes to the treatment of presidential golf. A "Washington Post" article from this weekend criticizes a conservative blog posting on President Obama's decision to play golf Sunday as the **Gulf oil spill** continued to flow.

The president has played a total of seven rounds of golf since the rig explosion and the beginning of the week. But "The Post" concludes "So what? Surely even the president deserves and probably needs some down time."

However, back in 2002 a "Washington Post" article devoted more than 600 words to President Bush's so-called "golf cart diplomacy" and the struggle to balance work with play.

And finally, despite a police officer in a patrol car out front, a manned security booth and electronic surveillance, thieves managed to steal two bikes out of D.C. Mayor Adrian Fenty's open garage. One officer even watched the crime in progress we're told.

The police union says the officer inside the guard booth followed procedure because he cannot leave his post and can only call for backup. The mayor's office says the Fenty family accepts full responsibility for the open garage.

The top story at the bottom of the hour -- President Obama has wrapped up a two-day trip to the Gulf region. The National Incident Command now says between 35,000 and 60,000 barrels of oil are flowing in the Gulf of Mexico each day. The old estimates put ceiling at 40,000 barrels.

Tonight the president addresses the nation at 8:00 eastern. Chief Washington Correspondent Jim Angle reports he is also expected to push a new energy plan.

(BEGIN VIDEOTAPE)

JIM ANGLE, FOX NEWS CHIEF WASHINGTON CORRESPONDENT: President Obama made it clear he sees the oil spill as a way to breathe new life into efforts to pass energy and climate legislation and to reducing use of carbon fuels such as oil and coal.

BARACK OBAMA, (D) PRESIDENT OF THE UNITED STATES OF AMERICA: And the only way to do that is finally putting a price on carbon pollution.

ANGLE: But Republicans launched a preemptive response, saying oil spill is no reason to tax all form of energy.

KARL ROVE, FORMER BUSH SENIOR ADVISER: This is a problem with the oil spill in the Gulf. Does it mean we should tax 50 percent of the energy in America, or the electricity that comes from coal?

ANGLE: One Republican lawmaker after another joined in.

REP. STEVE SCALISE, (R) LOUISIANA: Now the president is trying to export this to pass the energy tax.

SEN. MITCH MCCONNELL, (R-KY) SENATE MINORITY LEADER: A new tax that will raise energy cost for every American but which will do absolutely nothing to plug the leak.

JAMES INHOFE, (R-OK) SENATE ENVIRONMENT COMMITTEE: Cap and trade is a massive tax on the American people and we defeated it five times over the last eight years.

ANGLE: The climate bill likely to pass is one sponsored by Senators Joe Lieberman and John Kerry. They say their bill will save energy and create jobs.

SEN. JOHN KERRY, (D) MASSACHUSETTS: It will create 440,000 additional jobs annually through 2020 and 540,000 additional jobs through 2030.

ANGLE: And Senator Lieberman said it would save two billion barrels a day by 2030 in part by getting heavy trucks to run on natural gas.

SEN. JOE LIEBERMAN, (I) CONNECTICUT: Doing nothing now means continuing to send billions of dollars every year to countries that obviously don't like us and wish us ill.

ANGLE: But critics are extremely skeptical about both claims. Previous assessment of cap-and-trade bills warned of job losses and analysts say cutting oil consumption is tough.

DAVID KREUTZER, ENERGY ECONOMICS RESEARCHER: Automobiles, at least in the short-term, the next ten years or so, is very difficult to switch from one energy source to another.

ANGLE: Plentiful and affordable electric cars would help, but that is unlikely soon. And putting a price on oil carbon hurts one sector more than any other.

KREUTZER: They are trying to cut CO2 emissions by 70-80 percent. That means we'll have to cut coal use dramatically.

ANGLE: In the coal-reliant Midwest, that would be a blow to consumers and industry, because energy prices, as candidate Obama once said, would skyrocket.

In Washington, Jim angle, FOX News.

(END VIDEOTAPE)

BAIER: We will talk about what to expect from the president's Oval Office speech tonight and the pending BP compensation fund -- what's up with that -- when the FOX all-stars join us after the break. And if you want to follow us on twitter, go to [twitter.com/Bret\\_Baier](https://twitter.com/Bret_Baier).

**LOAD-DATE:** June 15, 2010

**LANGUAGE:** ENGLISH

**TRANSCRIPT:** 061501cb.254

**DOCUMENT-TYPE:** Show

**PUBLICATION-TYPE:** Transcript

Political Headlines Fox News Network June 15, 2010 Tuesday

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Fox News Network

May 26, 2010 Wednesday

SHOW: FOX HANNITY 9:23 PM EST

## What Should the President Do About **Gulf Oil Spill?**

**BYLINE:** Sean Hannity, Sandra Smith

**GUESTS:** Deneen Borelli

**SECTION:** NEWS; Domestic

**LENGTH:** 1526 words

(BEGIN VIDEO CLIP)

GEORGE STEPHANOPOULOS, ABC NEWS: What more can the president do here? He didn't --

JAMES CARVILLE, DEMOCRATIC STRATEGIST: George. George.

STEPHANOPOULOS: Go ahead.

CARVILLE: George, the president of the United States could have come down here. He could have been involved with the families of these 11 people. He could be commandeering tankers and making BP bring tankers in and clean this up.

They could be deploying people to the coast right now. He could be with the Corps Engineers and the Coast Guard which is people in Plaquemines Parish doing something about these regulations.

These people are crying. They're begging for something down here and it just looks like he's not involved in this.

Man, you got to get down here and take control of this. Put somebody in charge of this thing and get this thing moving. We're about to die down here.

(END OF VIDEO CLIP)

HANNITY: Wow, fear not. The Obama administration now claims they are in complete control of the catastrophic oil spill. Unfortunately, we only started hearing that kind of rhetoric from the White House yesterday. And that makes them about 36 days late.

So tonight we'd like to update you on what's been keeping the president so busy since the explosion on April 20th. Now for starters the president wasn't about to let the biggest environmental disaster in American history keep him off the golf course.

Now he hit the links at least twice in the last two weeks alone. And in between golf outings White House pool reports indicates well, the president has been working on his basketball game.

Now he's also found time to make two separate cross-country trips to California in order to headline four -- that's right, four mega fundraisers for liberal Democratic Senator Barbara Boxer.

And who can forget that the night the president decided to take a break from monitoring the disaster in order to share laughs with his friends in the mainstream Obama media.

In the aftermath of the correspondents dinner well, party time continued just days later at a Cinco de Mayo reception in the Rose Garden.

And weeks later it was time to honor American basher Felipe Calderon with a star-studded state dinner at the White House.

And if he wasn't, you know, hoisting champagne well, he was hoisting championship trophies. Six days after the spill began he welcomed the New York Yankees to the White House.

And less than a month after that he was celebrating with U-Conn's women's basketball team.

So does this sound like a guy that has his priorities in order? Well, here with analysis from "Project 21," FOX News contributor Deneen Borelli, and from the FOX Business Network, Sandra Smith.

Guys, welcome back. All right. Here's where I want to start. I never thought I'd quote James Carville. You know, begging, take control, we're dying down here.

What has he done?

SANDRA SMITH, FOX BUSINESS NETWORK: That's not a lot of exaggeration to his point, Sean. I mean all day long, we sat on the FOX Business Network talking to these companies that have been in operation for three, four generations.

Sean, they're threatening to have to close their doors. The shrimp boats can't go out.

HANNITY: No.

SMITH: The fisheries are having to close down. It's an absolute mess. And meanwhile, we still got 5,000 barrels of oil gushing out of this thing a day. And there are --

(CROSSTALK)

HANNITY: Where is he? What is he doing?

SMITH: Not on the ground.

DENEEN BORELLI, PROJECT 21: Well, think about it. You know, Obama has plenty of time to play basketball and golf. But he doesn't have time from -- last I check to attend the traditional Memorial Day ceremony at Arlington National Cemetery what is up with that?

I mean getting back on BP -- you know, they are a risk to our environment and our liberty. They've spent way too much money and effort fighting for climate change legislation and for cap and trade regulations, which is going to be a tax on energy, going to make energy much more expensive, and they took the eye off of safety.

HANNITY: Look. This is -- this is Obama's Katrina on steroids in --

SMITH: Absolutely.

HANNITY: This is that bad, by the way. This is his Katrina on steroids. And I'm watching -- here, first of all, they gave this particular Horizon location -- the Deep Water Horizon rig a safety award. They ignored inspections at this particular rig.

There is some culpability and they sat on their hands and they're pointing fingers at BP. What's -- what they are not predicting here is when this oil starts hitting shore in massive quantities and when it hit shores in Louisiana and Florida, and goes up the eastern seaboard, and is destroying beaches and wildlife and industry, let me tell you something, he's going to get blamed for doing nothing.

Politically speaking, why didn't they see the danger?

SMITH: The enormity of this situation has not been realized. It's being realized by the people down in the shores of Louisiana. It's not -- and by us. And it's not being realized by the administration.

Bobby Jindal, the governor of Louisiana, is asking for help.

HANNITY: Begging.

SMITH: He's begging for help, Sean. He's not saying hey, get down there and get the leak contained. He's saying get down there and show us -- get a plan in our hands.

HANNITY: Yes.

SMITH: They're on plan C, BP is right now. There is no plan D. There's nothing else in --

HANNITY: No, the only thing they wanted to do is, say, we went down there from day one. Day one doing what? He's been playing golf. He's been at fundraisers. He's shooting hoops. You know he's out there doing everything but what he should be doing.

This seems to be a moment where leadership should exist.

BORELLI: Well, absolutely.

HANNITY: And I -- I for the life of me don't understand why anybody in the White House doesn't understand the severity of this.

BORELLI: Right. It's political correctness gone wild.

HANNITY: Why do you say political correctness?

BORELLI: Because they were so focused on climate change and cap and trade -- plain and simple. Cap and trade legislation. And what company in their right mind, for example, would lobby for a policy that's going to cause your energy costs to go up for consumers? They're lobbying against their own product. It's ridiculous.

SMITH: But see, we're even moving past the point now. We need -- we actually need BP now. Janet Napolitano just came out and outraged a lot of folks by coming to the defense of BP saying no, they're the only ones who can fix this problem. They've got the technology, they've got the personnel. They're the ones who could fix it.

Sean, you know, not a lot of engineers looking at this right now will argue with that point.

HANNITY: Yes. By the way --

SMITH: But they could get involved. The administration can get on the ground.

HANNITY: This is a live shot of the oil that is coming out in these massive quantities. I mean -- and BP, you know --

SMITH: And so right now they're doing this top kill method.

HANNITY: Right now they're trying to --

SMITH: They're shoving mud down the pipe, Sean.

HANNITY: Mud down there. And cement.

SMITH: The company itself says there's only a 60 to 70 percent success rate.

HANNITY: Sure.

SMITH: That's from the company.

HANNITY: Look, there's one other issue here. And regulators apparently have accepted gifts. This is, you know, government regulators from the oil industry. So they didn't do the necessary inspection so all the blame can't really be on BP on the one hand, and secondly, if the government is not going to help and Robert Gibbs apparently, according to reports, is scolding reporters for asking too many questions about it.

BORELLI: There's a lot of blame to go around. But BP has a horrible track record. If you look at what happened in 2005 with the Texas City oil refinery explosion. 2006, they had the oil pipe leak in Alaska.

They clearly have a poor track record on taking their eye off the safety measures. Clearly, they need to do more to step up the effort.

HANNITY: But let me tell you, I like James Carville, rarely agree with him. Mr. President, take control. Go down there. Send the resources. Help the coast out. The entire coastline of the eastern seaboard and the southeastern United States is now in jeopardy. The fishing industry, the tourism industry is in jeopardy. Do something. Stop playing golf. Stop shooting hoops. Stop raising money and start helping the people that are -- are going to be losing their jobs in droves, as a result from this.

UNIDENTIFIED FEMALE: Scary.

HANNITY: That's scary. All right, guys, we'll continue to follow.

What Should the President Do About Gulf Oil Spill? Fox News Network May 26, 2010 Wednesday

And coming up, one of Frank Luntz' focus groups -- uh-oh -- they voice out their opinions on me. He did a focus group on me. I'm dead! You're going to love this, coming up next.

**HANNITY:** Congressman Barney Frank took a swipe at newly-elected GOP Congressman Charles Djou, who now represents the Anointed One's home district. While Djou was being sworn into office, Frank instructed reporters to do their jobs and demand to see the new congressman's birth certificate.

Unfortunately, being born outside the U.S. does not preclude someone from serving in Congress. But hey, mark Barney Frank down as the latest member of the birther movement.

More "Hannity" in two short minutes.

**LOAD-DATE:** May 27, 2010

**LANGUAGE:** ENGLISH

**TRANSCRIPT:** 052603cb.253

**DOCUMENT-TYPE:** Show

**PUBLICATION-TYPE:** Transcript

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690 of 1000 DOCUMENTS

Fox News Network

**June** 2, 2010 Wednesday

SHOW: FOX HANNITY 9:00 PM EST

## **Oil Spill Worsens; Crisis of Competence; Sestak Job Scandal; Pennsylvania Mayor Weighs in on Sestak Scandal; Did Killed Activists Intend to be Martyrs?; Israel's Naval Raid Stirs Conflict; Obama Slow on Oil Response?; Nancy Pelosi's Religious Speech**

**BYLINE:** Sean Hannity, Janice Dean, Sandra Smith, Nina Easton, Jonathan Morris

**GUESTS:** John Hofmeister, Rudy Giuliani, Ed Rendell, Michael Oren, Sean Duffy

**SECTION:** NEWS; Domestic

**LENGTH:** 7568 words

SEAN HANNITY, FOX HOST: All right, the **gulf oil spill** continues to spread as the Obama administration and BP reach for more and more desperate measures to plug the leak. Now the spill is now closing in on Florida with oil expected to wash up on the Florida Panhandle tomorrow.

Now for the latest on the trouble and looking at the state of Florida we go now to FOX News meteorologist Janice Dean. She's standing by in the FOX News Weather Center tonight. Janice?

JANICE DEAN, FOX NEWS METEOROLOGIST: Hi, Sean. Yes, let's take a look at the current oil location of this gigantic spill that keeps growing.

Here's our loop current. That's our warm ocean current that moves north through the gulf and then westward and makes its way southward towards the Florida straits. So we have to worry about the Florida Keys as well as some of this oil could get steered through that very fragile ecosystem of the Florida Keys.

But let's zoom in to where we already have oil moving onshore in parts of Louisiana, Mississippi, and Alabama. And now the Coast Guard is saying this oil is seven miles away from the Florida coastline.

And unfortunately this evening the forecast is not going to look good as we head towards the next several days. Right now winds coming out of the southeast, that's pushing the oil onshore. But as we move towards the weekend, those winds are going to shift more of a southwesterly flow.

That is going to push the outer edges of the massive oil slick unfortunately, to the western panhandle and the beaches there. So as we go ahead into the weekend we could be looking at oil moving in as soon as tomorrow, definitely this weekend, Sean.

And as we get into hurricane season, we're already there, we could see a storm in the Gulf of Mexico. And this would make already a horrific situation even worse.

HANNITY: All right, Janice, I used to vacation there in the Panhandle, some of the nicest beaches in the country.

DEAN: Beautiful sand there.

HANNITY: And thank you for being with us.

Oil Spill Worsens; Crisis of Competence; Sestak Job Scandal; Pennsylvania Mayor Weighs in on Sestak Scandal; Did Killed Activists Intend to be Martyrs?; Israel's Naval Raid Stirs Conflict; Obama Slow on Oil Response?; Nancy Pelosi's Religious Speech Fox News Network June 2, 2010 Wednesday

And meanwhile, the Obama administration and the thousands of BP scientists have resorted to increasingly desperate measures to plug the leak. But the oil, it continues to flow.

Remote control robots were sent 5,000 feet underwater to activate the blow-out preventer. When that failed another set of robots were sent under to place a valve on the end of a leaking drill pipe. Another failure. Then came the containment dome, the top hat, the tube insertion, the top kill, the junk shot, the lower marine riser package cap.

And get this, the latest attempt to plug the leak could increase the oil output by as much as 20 percent before it stops the spill. That is if it succeeds. So at this point one resolution sounds more ridiculous than the next.

And with the oil set to hit the state of Florida Americans are running out of patience. And joining me now with analysis on the deepening crisis are the former president of Shell Oil, author of the book, "Why We Hate Oil Companies," John Hofmeister is with us.

And from the FOX Business Network, Sandra Smith is here. And thank you both for being with us.

John, first of all, let me start -- first, I don't hate oil companies. Our economy is fueled by oil. And I know -- I know a lot of liberals and Democrats demonize oil. But I think we all want gas in our cars and we want our houses warm.

Let me start -- I think is going to be a game-changer. I used to vacation when I lived in Atlanta and Destin, Fort Walton beach, some of the nicest beaches in the country. I think is a game changer when that oil hits shore. Your thoughts?

JOHN HOFMEISTER, "WHY WE HATE THE OIL COS.": Well, I think you're absolutely right, Sean. I've been talking for weeks now, both with BP and with the Coast Guard, about why not a line of barges with big pumps that would pull this oil out of the water, put it in a barge, take it off the barge into a tanker. Take it onshore. Treat it. Or supertankers that could be sucking this oil off the surface of the sea.

See, I think we're stuck in an old paradigm of berm, boom and disperse. What I think what we need is a way of get the oil out of the ocean. It shouldn't be there in the first place.

HANNITY: No, I think you make a good point. We'll go into it in further detail.

Sandra, they're saying -- they told us yesterday this leak, you know, may be plugged by August. Now they're saying Christmas. Bloomberg News reports today.

SANDRA SMITH, FOX BUSINESS NETWORK: And now they're also calling Hollywood directors like James Cameron to come in and actually help them with this entire oil spill.

But I think what's going to be the biggest political nightmare and the biggest nightmare for the people of the Gulf Coast and for the shores down there, for the businesses, Sean, is when this does wash up on the pristine beaches there in Florida. But what John is talking about is the complete inaction that we've seen --

HANNITY: Oh yes.

SMITH: -- since day one of this administration. Just today governor -- the governor of Louisiana, Bobby Jindal, finally got the approval that he's been looking for, for weeks, to help protect those marshes. Just pure inaction is what you consider this is.

HANNITY: Well, I think this is the point here. And if I can go back to you for just a second, John, because this is really troubling to me. And I'm sure in your position working for Shell Oil, you understand this as well or even better than anybody. And that is, the impact of the environmental movement.

We had the NOAA and their plan, for example, for a leak such as this. We were supposed to have a berm on the oil on the surface. We can't use chemical dispersements. They wouldn't build a barrier. And to this day, Louisiana still doesn't have the booms that they have requested and other equipment to stop it from reaching shore.

It seems the environmental movement played a very big role on us having to be out there in the first place and preventing the containment in the second place. Is that fair?

HOFMEISTER: It's absolutely fair. It's why I wrote the book, Sean. It's about how government has been so dysfunctional for so long and has pushed energy companies into extreme positions such as, 10,000 feet.

Twice as deep as this well because the oil industry can't drill in shallow water so we don't look at drilling rigs. And they do end up taking high risk, high cost. However, they've been very good at it, haven't they? Thirty-five thousand wells

Oil Spill Worsens; Crisis of Competence; Sestak Job Scandal; Pennsylvania Mayor Weighs in on Sestak Scandal; Did Killed Activists Intend to be Martyrs?; Israel's Naval Raid Stirs Conflict; Obama Slow on Oil Response?; Nancy Pelosi's Religious Speech Fox News Network June 2, 2010 Wednesday

have been drilled with no blow-out in the Gulf of Mexico in 40 years? Twenty-four hundred deep water wells have been drilled, no blow-out.

We still have to get to the bottom of what happened here. This well should not have blown.

HANNITY: I agree.

HOFMEISTER: Something happened badly that we need to find out.

HANNITY: I agree with it.

HOFMEISTER: But government is really not in a position to operate. They are not operators. They are not decision-makers. They are not quick. They are regulators. And we need regulators to keep things even keel. But --

HANNITY: But you know if we were drilling in shallow waters in the Pacific or the Atlantic or ANWR, which is a whole other question -- I know it doesn't help with this particular leak but we've got to examine how we got 5,000 feet down and these deeper wells in the first place.

But stay right there for one second. I want to talk -- because you're in the business world. The fishermen, the fishing industry, the tourism industry. If Janice Dean is right and this goes right from the Panhandle, right into the beaches of Miami, and up the eastern seaboard, this is going to have a dramatic economic effect. How bad can it be?

SMITH: And you're not just talking about an economic impact for weeks, months, Sean. You're talking about years, generations to come. Some of the fishing -- some of the fisheries that we've talked to had told us that not only are they -- near closing their doors but if they close they'll never be able to open again.

The marshlands have been killed off. The wildlife has been killed off. You've already got a third of the federal waters there closed down for fishing. You're talking about jobs, money, tourism at risk.

HANNITY: And then there's tourism. All right. Let me go back. Last question. What do you think, John -- what should have been done from the thing? And we don't have a lot of time. But in short, where did we make our mistake?

HOFMEISTER: I think the real mistake is not in what has been done to fix the flow. They may look like they are bumbling, but they have been following and executing a plan that takes terrific amount of engineering and science.

And it hasn't worked, that was always the risk. They're keeping along their plan. I hope this containment effort works.

The real mistake has been the inability or unwillingness to address the environmental impact once the oil rises above the sea -- on the sea to really get serious about how we're going to get rid of that oil.

We should have the means. This is 21st century. We should be doing things that work, not things that have never worked very well in the past.

HANNITY: All right. John, Sandra, thank you both for being with us. We appreciate it. We have a very busy news night. Plenty more HANNITY, straight ahead.

(BEGIN VIDEOTAPE)

RUDY GIULIANI, FORMER NEW YORK CITY MAYOR: The damage is terrible. This is going to be a long term effort.

HANNITY: He guided New York City through the worst terror attack in American history. And tonight Mayor Giuliani exposes how the president is mismanaging the oil spill response.

UNIDENTIFIED REPORTER: What board was it?

ROBERT GIBBS, WHITE HOUSE PRESS SECRETARY: I'd refer you to the memo.

HANNITY: The White House, Sestak stonewall begins to crumble.

UNIDENTIFIED MALE: We will regret the loss of life but we will never apologize.

HANNITY: Plus late-breaking developments on the crisis in the Middle East.

HANNITY continues, straight ahead.

(END VIDEOTAPE)

Oil Spill Worsens; Crisis of Competence; Sestak Job Scandal; Pennsylvania Mayor Weighs in on Sestak Scandal; Did Killed Activists Intend to be Martyrs?; Israel's Naval Raid Stirs Conflict; Obama Slow on Oil Response?; Nancy Pelosi's Religious Speech Fox News Network June 2, 2010 Wednesday

HANNITY: All right. Marine life is washing ashore at this hour along the gulf, but you wouldn't know it by looking at President Obama's schedule.

As we speak, believe it or not, the White House is in celebration mode. The president is hosting a star-studded event in honor of Paul McCartney, and McCartney appears to be a big fan of the anointed one. He recently told ABC News, quote, "I'm a big fan. He's a great guy. So lay off him."

Hey, Paul, tell that to the people of the Gulf Coast right about now.

Rudy Giuliani on this. Next.

HANNITY: And this is a FOX News alert. Another job scandal may be hitting the White House. Now according to the AP unnamed White House officials say they raised the possibility of a federal job with Colorado Senate candidate Andrew Romanoff in the hope that he would abandon his primary challenge against incumbent Democrat Michael Bennett.

Now Romanoff released a statement earlier this evening confirming that White House Deputy Chief of Staff Jim Messina called him in September of 2009 and mentioned three jobs that would be available to him if he dropped out. Now he insists that none of those positions were promised or guaranteed to him.

Now White House Deputy Press Secretary Bill Burton confirmed all of this but maintains no official offer was mad. I think the president's team has handled these matters poorly, well, look at their approach to the catastrophic oil spill. It's been even more pathetic. Even Democrats are now criticizing the administration.

And now the most liberal left-wing organization of them all is joining the chorus. MoveOn.org. Let's take a look at this ad.

(BEGIN VIDEO CLIP)

UNIDENTIFIED MALE: In 2009 Obama appointee Ken Salazar chooses Sylvia Baca to co-run MMS. Guess where Baca worked for eight years prior? BP. Yes. That BP.

Isn't having a former BP executive heading up the government agency responsible for inspecting BP kind of -- I don't know -- insane?

(END OF VIDEO CLIP)

HANNITY: All right. Now clearly the president's day as community organizer and his brief stint as senator haven't exactly made him a skilled manager. But somebody who knows real crisis management is the man who took the lead during 9/11. That's former New York City Mayor Rudy Giuliani. He joins us in studio.

Mr. Mayor, how are you?

GIULIANI: I'm good, Sean. How are you?

HANNITY: All right. We got Rod Blagojevich's trial starting. We got the admission that Clinton -- I offered him a job -- he acted, you know, on behalf of the administration. Now Romanoff is admitting he was offered a job.

Do you see -- you're a former attorney, U.S. attorney. Do you see a possible violation of law?

GIULIANI: Sure. Sestak's first description I believe on Greta Van Susteren's show, if I'm correct about this, was that they bribed him with a job.

HANNITY: I didn't hear that but he --

GIULIANI: Yes.

HANNITY: He did say in his first interview that he was offered a job. It was high ranking. Now Romanoff is confirming just now tonight he was offered a position.

GIULIANI: But I mean the reality is that it should be investigated. We need to know the words. This is very important that we know exactly what the words were because the two statutes involved say, if a job is offered, federal job is offered, then that would be a misdemeanor, it would be a crime.

HANNITY: A position of value.

GIULIANI: A position of value.

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HANNITY: In exchange for a political act.

GIULIANI: Correct. In exchange of any kind of political activity or nonactivity. So dropping out of a race would be political activity.

The question is, were they offered, weren't they offered? Sestak -- at least the one him talking about when I heard it -- sounded like he believed the job was offered to him.

HANNITY: I mean --

GIULIANI: And he said it, right?

HANNITY: And Romanoff is saying the same thing. Well, yes, I got three calls. Maybe it is the Chicago way but --

GIULIANI: And then the question is, was it Bill Clinton's -- was there another conversation which he was offered secretary of the Navy? Which is what everybody believes he was offered.

(CROSSTALK)

GIULIANI: The only way to find out about this is --

HANNITY: Put them under oath.

GIULIANI: Put them under oath in front of a grand jury. And we'll find out.

HANNITY: All right. All right. You're known for your leadership in 9/11. I mean you walked out there. You were with the people of New York on a daily basis.

How would you rate the president's handling of the gulf crisis?

GIULIANI: Couldn't be worse. This would be an example, if you are thought leadership 101 of exactly what not to do. Minimize it at first. Two days after or three days after, you happen to go on vacation. He's been on vacation more often than he has by far. Been to Louisiana or Mississippi or any of the places affected.

HANNITY: Or playing golf or shooting hoops.

GIULIANI: He gives the sense that he's very nonchalant and very lackadaisical about it, which I think are the word of Jim Carville. Lackadaisical.

Now what that does is, that sends a whole signal right into the entire bureaucracy that they're also very lackadaisical about it. But one of the things you understand as a leader is your actions are going to energize your bureaucracy to do the best it can or to kind of make it -- they did the same thing on Christmas Day -- Christmas Day bombing. Stays on vacation for 11 days. So the other guys go on vacation.

The reality is that the administration has made every mistake it could make right down to this criminal investigation of BP.

HANNITY: All right.

GIULIANI: How can -- why are you criminally investigating them? Until this is over. Are you going to distract them from the job of what they are supposed to be doing? And if they are being criminally investigated, then why are we allowing them to do it?

HANNITY: Listen --

GIULIANI: If you've got a bunch of criminals doing it, then why don't we --

HANNITY: We knew at a minimum 5,000 gallons a day. We knew at a minimum it was going to be huge. We knew 5,000 feet in the ground this was going to be difficult to plug. So here's the question. What should we have done?

GIULIANI: What we should have done is president of the United States should immediately taken control. Should have gone there. Should have been there a lot more than twice. Should have been leading the charge from the front, not this "oh you know I'm not going to touch it."

And BP -- for the longest time Gibbs was saying BP was in charge. The president announced a week ago that he was actually in charge.

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HANNITY: He's in charges, but he's not responsible.

GIULIANI: If he was in charge, he was in charge while he was on vacation. And the reality is, he should have brought in the best experts. And he should have set up a team of independent advisers could be advising him directly. So he wouldn't be just in the hands of BP.

HANNITY: Yes.

GIULIANI: And he wouldn't put the entire responsibility just on them. And now if he's telling us through his attorney general that they have real suspicions that BP committed crimes then why the heck have they allowed BP that they believe might have committed crimes to be doing this?

HANNITY: It's a great point. What do you think -- I was asking in the last segment the environmental question. We can't use chemical dispersements. We can't build barriers. They didn't deliver the booms that they were supposed to deliver and it's 44 days in. We couldn't have a berm because that's environmentally not safe.

So it seems that they left very little options. Now the Gulf Coast of Florida, the panhandle, is going to get hit with this oil. We expect --

(CROSSTALK)

GIULIANI: Back in -- I think it was May 23rd.

HANNITY: Yes.

GIULIANI: They asked for permission to be able to do their own --

HANNITY: Yes.

GIULIANI: -- work in -- and they can't seem to make a decision about it.

HANNITY: Yes.

GIULIANI: So, I mean, the reality is, this has been handled -- you know, it's been handled like a political problem which is -- which is what I think -- it's not handled like a real crisis.

HANNITY: Does he pay a political price at the end?

GIULIANI: Oh my gosh, yes.

HANNITY: Huge.

GIULIANI: Of course. I mean listen. This is Republican, Democrat, liberal, conservative, like Obama, not like him, you can't possibly argue that this has been handled any way close to competently.

It was incompetently handed from day one and it gets worst. As I said before, to start criminal investigations right now on a company that you want to be focused just on doing that, they're going to have to divert an enormous amount of attention to dealing with these criminal investigations which I think is all about escape-goating.

HANNITY: Mr. Mayor, good to see you. Thank you. Appreciate you being with us.

And coming up, we're going to shoot it out. Governor Ed Rendell, the Democrat, next.

HANNITY: All right. The Sestak job offer scandal is a story the White House wants to go away. Now they want the American people to stop thinking about it and they want reporters to stop asking about it.

But propaganda minister Robert Gibbs' wish didn't come true at yesterday's White House briefing. Let you and I take a look as a reporter tries to get some real answers from my good pal, Robert.

(BEGIN VIDEO CLIP)

UNIDENTIFIED REPORTER: The cancelled memo this Friday said that efforts were made in June and July of 2009. Were there multiple efforts and were all those made by President Clinton?

GIBBS: I -- whatever is in the memo is accurate.

(END OF VIDEO CLIP)

Oil Spill Worsens; Crisis of Competence; Sestak Job Scandal; Pennsylvania Mayor Weighs in on Sestak Scandal; Did Killed Activists Intend to be Martyrs?; Israel's Naval Raid Stirs Conflict; Obama Slow on Oil Response?; Nancy Pelosi's Religious Speech Fox News Network June 2, 2010 Wednesday

HANNITY: Whatever is in the memo is accurate.

Robert, I've got the memo right here in my hand. I've read the memo. Nowhere does it definitely state that it was President Clinton and President Clinton alone who contacted Congressman Sestak.

(BEGIN VIDEO CLIP)

UNIDENTIFIED REPORTER: OK. But, I mean, with regards to June and July, I mean, were you all those President Clinton or --

GIBBS: I think the relationship on how that happens, yes, is explained in the memo.

UNIDENTIFIED REPORTER: One conversation with President Clinton?

GIBBS: Let me check.

(END OF VIDEO CLIP)

HANNITY: He said one conversation, did you hear that? A reporter in the room just correctly pointed out that Congressman Sestak has said only one conversation with Bill Clinton. So why then does the memo say efforts -- not one effort. But efforts were made both in June and July. It obviously means that somebody else spoke with Sestak other than Bill Clinton.

(BEGIN VIDEO CLIP)

UNIDENTIFIED REPORTER: And just one more, as far as it said that it's an unpaid position. Does that make a difference in the view of the White House that it would be an unpaid position as opposed to a paid position?

GIBBS: Again, I'm not going to get into hypotheticals.

(END OF VIDEO CLIP)

HANNITY: Robert, this isn't hypothetical. An offer was made, the American people deserve to know exactly what happened.

(BEGIN VIDEO CLIP)

GIBBS: The situation was an unpaid position and didn't constitute a lot of what you hear.

UNIDENTIFIED REPORTER: OK. Just one more. Sorry. But the intelligence advisory board which most reports said this offer was for -- that would be a position a member of the House cannot serve on. Is that --

GIBBS: That's how I understand it.

(CROSSTALK)

UNIDENTIFIED REPORTER: But the memo have said that this would be -- serve in the House and serve on a presidential advisory board.

GIBBS: Correct.

UNIDENTIFIED REPORTER: Was that --

UNIDENTIFIED REPORTER: How (INAUDIBLE)

UNIDENTIFIED REPORTER: Yes. How would that work?

GIBBS: He couldn't.

(END OF VIDEO CLIP)

HANNITY: He couldn't. So here we have a top White House official admitting that the administration's version of all of this doesn't make sense. You just heard Robert Gibbs admit that Sestak could not have legally served in the job he was supposedly offered and we're supposed to take this memo at face value?

This is getting interesting.

(BEGIN VIDEO CLIP)

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GIBBS: I'd refer --

UNIDENTIFIED REPORTER: What position -- what board was it then?

GIBBS: You know, I'd refer you to the memo.

(END OF VIDEO CLIP)

HANNITY: The memo is not going to put this controversy to rest. In fact, it raises even more questions about what White House officials were involved in in this entire operation.

So joining me now with how all of this could impact the Pennsylvania Senate race is the governor of the Commonwealth of Pennsylvania, Governor Rendell.

Welcome back to HANNITY.

GOV. ED RENDELL (D), PENNSYLVANIA: Good evening, Sean.

HANNITY: All right, Governor, you don't -- you said from the beginning they should come clean on this bribe-gate. We just had news that broke. We just broke, this guy Andrew Romanoff, same thing.

When you hear their story and you read their memo and you compare it to Sestak there's a conflict here. The questions that you want answered, I would assume, are not answered at this point.

RENDELL: Well, look, I think there's enough questions that have been raised. But the White House should respond to this. But let me start out by saying Mayor Giuliani got it all wrong.

He talked about secretary of the Navy. Ray Mabus, the former governor of Mississippi, was confirmed as secretary of the Navy in May of last year so that's out. That never happened. Secondly --

HANNITY: I don't buy the timeline on that because we're talking about February of 2009 before he was confirmed. Isn't that true?

RENDELL: I'm sorry, he was nominated. He was nominated. Then --

HANNITY: In March.

RENDELL: Right, in March.

HANNITY: All right. But he was first approached --

(CROSSTALK)

RENDELL: -- even -- way before Arlen Specter dropped out of race.

HANNITY: All right. But here's --

RENDELL: I mean, you know, before Arlen Specter shifted parties.

HANNITY: But they're saying in the memo that there were multiple efforts to reach out to him. Sestak says only one.

RENDELL: Again --

HANNITY: They said June and July.

RENDELL: We need to --

HANNITY: Go ahead.

RENDELL: Sean, we need to explain that. But let me tell you this. And I know you're not going to like to hear this, but this stuff has been going on in administrations in Washington, Harrisburg, Albany, Sacramento. All the time.

HANNITY: OK. But wait a minute.

RENDELL: Let me give you an example.

HANNITY: But wait -- but this is against the law. I mean David Axelrod argues the terms that he used here. It would be a serious breach of law. What they're saying here is U.S. Code, you cannot offer anything of value for a political act.

RENDELL: But, Sean --

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HANNITY: So if it's against the law, why shouldn't we pursue -- why do we pass laws if we are not going to enforce them?

RENDELL: You've heard Michael Mukasey, the last attorney general under President Bush, saying it isn't against the law and he's a fairly strong conservative appointed by President Bush.

Look, this is exactly what's wrong with Washington. I agree with you that there ought to be transparency and we ought to do a better job explaining this. But the people of Pennsylvania don't want investigations. They don't want the government tied up.

Sestak didn't do anything wrong. He turned it down, whatever they offered. And he turned it down. He's the hero in this whole scenario. That's number one. Number two, the people in Pennsylvania want to hear it from Sestak --

HANNITY: Wait a minute. If Sestak is a hero why doesn't Sestak tell us his -- what did they offer him? He originally said it was a position of value. The White House --

RENDELL: Well --

HANNITY: Originally denied --

RENDELL: Sestak did say --

HANNITY: Well, the White House -- look, I know you know this guy Larry Kane. He told Larry Kane in his first interview. Larry Kane called the White House, the White House said they didn't offer him anything. So were they telling the truth then? Are they telling the truth now? Is this -- what's the difference between this and Rod Blagojevich?

RENDELL: Look, we're parsing words. But again, you've got Michael Mukasey, the Bush attorney general, saying no crime here.

HANNITY: That's one person.

RENDELL: This happens all the time. This happens all the time. Let me just give you a concrete example, because I know about this. Number one, Rahm Emanuel and I had discussions about this. We very much wanted to persuade Congressman Sestak to stay in the House and run for his seat because he would have won his seat easily and now that's a seat that's up for grabs.

So I know the administration did not want to offer him a job that would meant that he could -- would had to leave Congress. That's number one. And number two, I -- when Rick Santorum was running for reelection in 2006 I got call from Chuck Schumer.

He said Bob Casey is our strongest candidate. That's what our polls show. There are two other Democrats, Casey won't run if he has a primary.

HANNITY: I got to run.

RENDELL: Can you talk to them?

HANNITY: But let -- I'm not trying to --

RENDELL: I talked to one of them. I talked to one of them, Joe Hoefel. I said, "Joe, you want to serve the public. I will help you if you withdraw."

HANNITY: Last question. Would you support a private -- a special prosecutor or the FBI investigating?

RENDELL: We have too many special prosecutors. The people don't care. They want us to concentrate on the real issues that are confronting Pennsylvania, period. It's what's wrong in Washington.

HANNITY: All right, that's what Bill Clinton said. I've got to go back to focusing on the real issues. I -- I think they've been less than forthcoming.

RENDELL: It's what's wrong with Washington, D.C., Sean. It's what's wrong with Washington. You guys not in Washington just don't get it.

HANNITY: We've got to enforce the law. Why do we pass laws?

We've got to run.

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RENDELL: You've got people saying -- you understand it's what's wrong with Washington today.

HANNITY: Brand-new video tonight -- thank you, Governor -- of the Israeli raid on the vessel off the coast of Gaza, and it's shedding light on what really happened onboard that ship. Reaction from the Israeli ambassador to the U.S., next.

HANNITY: First lady Michelle Obama is in Nevada, where earlier today she launched an initiative to promote outdoor exercise for kids and families. Now, she took time out of her busy schedule to do some yoga with Prince Harry Reid, who she also called, quote, "One of my favorite people in the world."

Wow, looking good, Mr. Senator. I hate to say it. Probably a fun walk (ph) like this is the best way to promote exercise. Yikes!

More HANNITY in two short minutes.

HANNITY: All right. The so-called free Gaza movement is reportedly sending two more ships in another attempt to break Israel and Egypt's blockade of the Gaza Strip.

Now, the movement's first attempt to break the blockade failed when Israeli commandos boarded one of the vessels and killed nine of the activists onboard. Now, here's what Israeli Prime Minister Benjamin Netanyahu had to say about the incident earlier today.

(BEGIN VIDEO CLIP)

BENJAMIN NETANYAHU, PRIME MINISTER OF ISRAEL: This wasn't a love boat. This was a hate boat. These weren't pacifists. They weren't peace activists. These were violent supporters of terrorism.

(END VIDEO CLIP)

HANNITY: Now, although the international community is condemning Israel, research by the Middle East Media Research Institute proves that Netanyahu is correct. Now, it suggests that the passengers onboard sought deliberately to provoke Israel and were prepared to martyr themselves for this cause.

Now, one Kuwaiti activist onboard told his family, quote, "If I am martyred during my voyage, do not be sad. I will be in paradise because I am going to wage jihad for the sake of Allah."

Now, others reportedly prepared wills before the Israelis even boarded the boat, all of which suggests that they knew just the sort of response they would provoke.

And joining me now with analysis and to take us through just what happened on the boat is the Israeli ambassador to the United States, also best-selling author former IDF soldier, Michael Oren.

Michael, welcome back to the program. Thanks for being with us.

MICHAEL OREN, ISRAELI AMBASSADOR TO U.S.: Good to be here, Sean.

HANNITY: All right. First of all, you the one thing that stood out in the comments that B.B. made today -- again, this was not the love boat. This was the hate boat. But he also said Israel will never apologize for defending itself.

Hamas is receiving these weapons, firing -- firing them into Israel, seven to 10,000. Israel sets up a blockade to stop the rearming of Hamas, whose charter calls for the destruction of Israel. Why is there worldwide condemnation when Israel is only clearly just defending itself against a terror group?

OREN: It's a very good question. But the fact of the matter is it's not just Israel's policy to blockade Hamas; it's also Egypt's policy. The United States also supports our policy, preventing Hamas from acquiring further long-range rockets that can hit just about any city in southern Israel. And they're expanding that range all the time. Good question.

HANNITY: Michael, let's -- we have some brand-new video tonight that I want to -- I want to put up on the screen for our audience to take a look at.

The rioters, you can see, before the commandos even got on the ship, you can see right there on the video here, they were preparing for the soldiers to board, you know, wielding metal poles and swinging them around as we see in the video.

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We've got other new video of the rioters waiting for the soldiers to board and then swinging the poles and glass bottles and slingshots over the edge of the ship. I mean, it couldn't be any more evident or clear that they -- they were there for that purpose. They don't look like peace activists to me. Your reaction?

OREN: Well, if your viewers will look on YouTube. They'll see an earlier video taken before these so-called activists got on the ship, and they are chanting the Islamic equivalent of death to the Jews, death to the Jews.

The organization that sent them, known by the initials IHH, has been linked by the CIA and by other international intelligence agencies as an extreme Islamic group with links to al Qaeda and other terrorist organizations. It's even been linked, Sean, to the 1999 attempt to blow up Los Angeles Airport.

HANNITY: You know, I think the best point that -- that Prime Minister Netanyahu made at his press conference today is, you know, what would any other country do? What would America do if rockets were being fired into their cities? You know, how would America behave under similar circumstances?

I've got to believe, if one rocket were fired at any American city, any American school, any American hospital, any American town, that the response would be swift, it would be sure, and -- and I doubt there would be worldwide condemnation. There seems to be -- and the phrase that B.B. used today is Israel is guilty prior to being proven guilty.

Why is there that attitude worldwide? Is there -- is there a strain of anti-Semitism, in your view?

OREN: Well, let me first say that I couldn't agree with you more or the prime ministers more. Can you imagine if members of the U.S. Coast Guard had to go onto a ship in which arms were being smuggled to violent entities around the United States, trying to kill Americans, and the Coast Guard soldiers were met with clubs and knives and perhaps even weapons, how would they react to defend themselves?

Why is this happening? I'm certain there's an element of anti-Semitism in it, involved in it. There's a great prejudice against Israel, and there's a world out there that actually supports Hamas, including people who participated in this terrible flotilla.

HANNITY: And people forget Hamas' charter, Hamas in charge of Gaza, calls for the destruction of the state of Israel.

Let's go back to the videotape here, as we see these rioters now. You know, as soon as the IDF agents, the commandos get on board the ship, throwing stun grenades, if you look at the video there, and plates at Israeli soldiers. We literally have video of soldiers being hit with metal poles and chairs on the deck of the ship. And video of a soldier being thrown over by -- by some of the rioters here.

I'm not really particularly sure. There's -- there they're being hit with metal rods, as you can see. I mean, whacking and swinging.

Now, tell us originally the soldiers went in with what was the equivalent of a paintball gun. Explain that and how they then had no other choice but to switch to live ammunition?

OREN: Well, we've intercepted a great number of these flotillas in the past. And even in this flotilla, which was made of six ships, five of the ships basically surrendered without violent resistance. It was only on this very large Turkish ship where our soldiers were greeted with these clubs and knives and perhaps even live ammunition fire, because two of our soldiers sustained serious gunshot wounds.

And yes, they did come down, our soldiers did come down armed with paintball guns in an attempt to peacefully take over the ship. And only when they were beset and beaten, as you saw, one soldier thrown over the side, did they have to resort to their side arms to defend themselves.

HANNITY: It was evident in the video that the story that the prime minister was telling was accurate and true, which is frustrating, especially in light of worldwide condemnation.

It seems like this was purposefully provoked, that this was a strategy that was put in place. Which tells me, and they have now stated, that they are going to now try and break this blockade once again. Will Israel once again defend itself? And you expect it's going to get worse?

OREN: Well, keep in mind, Israel has no desire to blockade the people of Gaza. We let over 100 truckloads of humanitarian aid into the Gaza Strip every day. There's no shortage of food or medicine.

Oil Spill Worsens; Crisis of Competence; Sestak Job Scandal; Pennsylvania Mayor Weighs in on Sestak Scandal; Did Killed Activists Intend to be Martyrs?; Israel's Naval Raid Stirs Conflict; Obama Slow on Oil Response?; Nancy Pelosi's Religious Speech Fox News Network June 2, 2010 Wednesday

But we will not open the sea to shipments of rockets to the Gaza Strip. And anybody who tries to block [SIC] that blockade without transferring their cargoes to us so that we can give it to responsible entities in Gaza, will be stopped. Israel will defend itself, Sean.

HANNITY: As the United States would defend itself. Mike Oren, thank you for being with us. We appreciate it tonight.

And let not your heart be troubled. Our great, great, great, "Great American Panel" straight ahead.

HANNITY: And tonight on our great, "Great American Panel," she is the Washington editor for Fortune magazine, columnist for TIME magazine. FOX News contributor Nina Easton is here.

He is a FOX News contributor and author of "The Promise." Father Jonathan Morris is with us.

He is the district attorney for Ashland County, Wisconsin, Republican candidate for Congress. And Sean Duffy also joins us. Welcome aboard.

All right. I want to go back to this video and what we see with Israel. Worldwide condemnation and not the kindest words from the Vatican, Father.

FATHER JONATHAN MORRIS, FOX NEWS CONTRIBUTOR: I've got it, Sean. We're going to get into it.

HANNITY: Well, but I mean, look, here Hamas, a terror group, calls for the destruction of Israel, fires rockets into Israel. Israel sets up a blockade. They won't abide by it. They set off this confrontation. Why shouldn't Israel defend itself?

MORRIS: Sean, let's read what the Vatican said. Deep sadness and concern together with Tony Blair, who expressed deep regret and shock at the loss of life!

HANNITY: How about deep regret over the fact that terrorists wouldn't abide by the blockade or understand that Israel's existence is in jeopardy?

MORRIS: That's a whole different question. And both questions should be taken on for what they are. Should there be deep regret that life has been lost? You bet. You bet. It should be, and we're glad that there's somebody sticking up for it.

HANNITY: Before I get excommunicated, take over.

NINA EASTON, FOX NEWS CONTRIBUTOR: That's his job.

I don't think it's being anti-Israel to suggest that Israel, as it has done in the past, could have dealt with this situation better. Could have --

HANNITY: How? How?

EASTON: In the past they've gone onto a ship and blown it up without anybody in it, knowing that it was about to run a blockade. They -- they know -- this was -- this was not a surprise. This should not had been a surprise to the Israeli government, the outcry over this.

HANNITY: Wait a minute. Why?

EASTON: To question their action is not to be anti-Israel.

HANNITY: B.B. Netanyahu had the best line. What would we do if rockets were fired into American cities? We would fight back. We wouldn't stand for one rocket, never mind 8,000 rockets.

SEAN DUFFY (R), WISCONSIN CONGRESSIONAL CANDIDATE: I think it's important to say we are concerned for the loss of life. So am I. However, they're terrorists, and I think Israel has a right to defend itself. I agree with you.

HANNITY: So if that's the point, Nina, I don't understand why there's any ambiguity. The world, it seems -- the line that Netanyahu used -- I wrote it down here -- you know, Israel is guilty before proven guilty.

Every time there is staunch anti-Semitism at the United Nations and anti-Americanism at the United Nations. Israel defends itself, and Israel is condemned.

Oil Spill Worsens; Crisis of Competence; Sestak Job Scandal; Pennsylvania Mayor Weighs in on Sestak Scandal; Did Killed Activists Intend to be Martyrs?; Israel's Naval Raid Stirs Conflict; Obama Slow on Oil Response?; Nancy Pelosi's Religious Speech Fox News Network June 2, 2010 Wednesday

EASTON: -- aren't stupid. Israeli leaders aren't stupid. They know that they're guilty before being called guilty. They know that. And in the past, in past administrations, they've been very careful, cautious to walk that fine line, and they didn't this time.

MORRIS: I think very important and together with what Nina said, we have to be very careful not to take sides on an issue like this based on pure -- on pure sentimental or partisan or even cultural leanings. We have to say, what happened? Let's find out what -- who knew what when? Decide whether or not they made the best choice --

HANNITY: They did. I believe they made the best choice.

MORRIS: Well, if they made the best choice --

HANNITY: You're saying we shouldn't take sides. I say we need more clarity. Hamas' charter calls for the destruction of Israel. When they were getting supplies and arms into Gaza, Hamas running Gaza, they were firing at Israeli hospitals. So Israel, in self-defense, set up a blockade. Shouldn't we stand by their right to set up a blockade?

MORRIS: Sean, there's a great moral principle, and this is it. One object that we're studying about whether it's right or wrong does not determine whether another object of moral reasoning is right or wrong. We have to look at -- the fact that Hamas is a terrorist organization, doesn't give the right to Israel to do whatever they want to anyone who is related to Hamas.

HANNITY: Legally, international law allows it. We set up blockades in World War II, in the Cuban missile crisis. Europe has used blockades. Real quick.

MORRIS: There's no question about blockades. That's not the question.

DUFFY: They will allow humanitarian aid in. They wanted to verify that they didn't have weapons of whatever kind of mass destruction in there and terrorists on board.

HANNITY: We'll have a report when I get back, if I'm still allowed in the Catholic Church, with Father Morris, straight ahead.

HANNITY: And we continue now with our "Great American Panel."

All right, Nina, considering we're at odds tonight, do you have criticism of the handling of the Gulf crisis? Did the administration handle this right, in your view?

EASTON: I think President Obama has done a bang-up job. Is that what you're wanting me to say, Sean?

HANNITY: I'm asking where you stand. Now, I don't think you believe that.

EASTON: I think -- I think what's really fascinating for me, having just come up from Washington, is how the narrative there is changing.

The president is on the defense. You've got a reporter from The New York Times questioning the press secretary, saying is this hobbling the president's agenda? You've got even Maureen Dowd saying he's not showing enough passion.

(CROSSTALK)

EASTON: You've got the president putting out his admiral who's in charge of the cleanup efforts and talking -- wanting to talk about the 200 scientists who are behind this effort, 200 government scientists. And instead, the press wants to know why did it take you 40 days?

HANNITY: Forty-four days, but who's counting?

EASTON: He's really on the defense right now.

HANNITY: And I think it will get worse, too, as oil hits shore in greater quantities. And if oil does swing around, as we reported earlier tonight, to Miami and up the eastern seaboard and impacts fishing, tourism, and destroys some of our best beaches, I think there's going to be a "why didn't you act sooner" and "why wasn't there more urgency in your response?"

MORRIS: What I think is a real danger here, Sean, is I've seen their -- there's a proposal now that the government take over BP, right? That there's a receivership and that the government come in and take over, similar to how they've done in the auto industry. That is a very dangerous proposition.

Oil Spill Worsens; Crisis of Competence; Sestak Job Scandal; Pennsylvania Mayor Weighs in on Sestak Scandal; Did Killed Activists Intend to be Martyrs?; Israel's Naval Raid Stirs Conflict; Obama Slow on Oil Response?; Nancy Pelosi's Religious Speech Fox News Network June 2, 2010 Wednesday

One thing that's very good -- and I haven't been very positive in reference to BP, -- BP just gave a million dollars to the archdiocese of New Orleans, because they're helping the fishermen who are there who need food and who need major, like, intervention, who are really not making it from day-to-day.

BP is big business, right? But you have big business, it's easy to criminalize them. But we can get rid of their CEOs. We can punish them. We can do all the wrath (ph). We can -- and you know what? If we had government in there, what would -- what would be happening right now? There would be no criticism whatsoever.

HANNITY: The government prevented the efforts to stop this in its tracks. They still haven't sent all the requests of Governor Jindal, for example. They didn't start the berm when they should have. They didn't use -- they can't use chemical dispersants now.

DUFFY: That's exactly right. And I think the administration has made a number of promises, the most recent one talking about criminalization, is sending Eric Holder to the Gulf and saying, you know, we're supposed to have a joint effort with BP and government to resolve the issue of the flow of oil into the Gulf. You send Eric Holder to do battle with BP, and as long as you work in the government, it doesn't make sense. If you're going to send him down, send him down with a hazmat suit and let him --

HANNITY: All right. We've got this bizarre religious rant by Nancy Pelosi. We're playing this for Father Morris -- for Father Morris right here. Watch this.

MORRIS: Oh no.

(BEGIN VIDEO CLIP)

REP. NANCY PELOSI (D-CA), SPEAKER OF THE HOUSE: My favorite word is the Word, is the Word. And that is everything. It says it all for us. And you know the biblical reference. You know the gospel reference of the Word.

And that Word is that -- we have to give voice to what that means in terms of public policy that would be in keeping with the values of the Word. The Word. Isn't it a beautiful word when you think of it? It just covers everything, the Word. Fill it in with anything you want. But of course, we know it means that the Word was made flesh and (UNINTELLIGIBLE).

(END VIDEO CLIP)

HANNITY: OK, your job is not in jeopardy, Father.

MORRIS: You know, I'm trying to be nonjudgmental here. Because I understand. But you can't be selective --

HANNITY: Pro-abortion.

MORRIS: You can't be selective in what the Word means. She has been the most pro-abortion legislator that we have, together with Senator Obama.

HANNITY: All right. We're running out of time.

DUFFY: She uses her faith to advocate policy she agrees with but forgets on issues like abortion.

EASTON: Liberal Democrats trying to do religious speak, it doesn't always work out well.

HANNITY: Didn't apply for her, huh?

Your job is safe, Father.

All right, and that is all the time we have left this evening. As always, we appreciate you for being here with us. Let not your heart be troubled. The news continues. Greta is next to go "On the Record" tonight.

Greta, take it away.

**LOAD-DATE:** June 3, 2010

**LANGUAGE:** ENGLISH

**TRANSCRIPT:** 060201cb.253

Oil Spill Worsens; Crisis of Competence; Sestak Job Scandal; Pennsylvania Mayor Weighs in on Sestak Scandal; Did Killed Activists Intend to be Martyrs?; Israel's Naval Raid Stirs Conflict; Obama Slow on Oil Response?; Nancy Pelosi's Religious Speech Fox News Network June 2, 2010 Wednesday

**DOCUMENT-TYPE:** Show

**PUBLICATION-TYPE:** Transcript

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Fox News Network

**June** 15, 2010 Tuesday

**SHOW:** FOX HANNITY 9:22 PM EST

## **Interview With Steve Scalise, David Vitter**

**BYLINE:** Sean Hannity

**GUESTS:** Steve Scalise, David Vitter

**SECTION:** NEWS; Domestic

**LENGTH:** 1124 words

HANNITY: All right, so the president had his say on the **Gulf oil spill** today. And let's just say it doesn't match what we're hearing from local lawmakers. They are so fed up with the president's lack of leadership that they have stopped waiting for his help and started taking things into their own hands.

Now Louisiana Governor Bobby Jindal ordered the National Guard to start building barrier walls nine miles offshore in order to keep the oil from reaching the coast.

As oil sludge began washing up on the shores of Alabama on Sunday Governor Rob Bob Riley slammed the administration for its lack of coordination with his state's effort to keep Alabama's economy afloat.

But that's not all.

(BEGIN VIDEO CLIP)

ROB RILEY (R), ALABAMA GOVERNOR: If you're looking what's going on with the economy and the state of Alabama and Mississippi and Louisiana, and now Florida, we're going to have to have some level of compensation because our tourist season here is essentially from Memorial Day to Labor Day.

And the beaches the way they are this morning it's going to be very, very difficult to sustain the economic balance that we've had in the past.

(END OF VIDEO CLIP)

HANNITY: Now meanwhile, Louisiana Congressman Steve Scalise says local leaders are waiting days for answers to basic questions.

Joining me now are Congressman Scalise who expressed a lot of outrage at today's hearing on Capitol Hill and Louisiana Republican Senator David Vitter.

Guys, welcome back.

STEVE SCALISE (R), LOUISIANA CONGRESSMAN: Thank you, Sean. Good to be with you.

DAVID VITTER (R), LOUISIANA SENATOR: Good to be with you, Sean.

HANNITY: Congressman, let's talk about your outrage you expressed today. Where is your level of frustration the highest?

SCALISE: Well, you know, when you look, the president spent probably as much time trying to exploit our disaster to talk about his cap and trade energy tax which has nothing do with fixing the problem. And so when you look -- and I

talked to leaders on the ground. I was on Grand Isle all day Friday. They're telling me they're spending more time fighting with federal government and BP than they are fighting the oil.

That's inexcusable.

HANNITY: And the emotional behavior senator of the president -- you know, I know that there -- this was a political speech tonight. This was -- all right, obviously, our poll numbers are going down, the criticism is high.

The president now is also, though, advancing an agenda that you say is really going to hurt your state in a profound way.

SCALISE: Absolutely.

HANNITY: And that's the moratorium.

VITTER: Yes. And Sean, Steve is also completely right about cap and tax. He spent more time on using and abusing our crisis to advance that preexisting leftist political agenda than on anything else. And that's really offensive because it is an ongoing crisis that we're facing. It's the equivalent of a new major oil spill everyday and it continues.

HANNITY: Can I ask both of you because this is my great fear? When I start thinking about this and all the analysis that I've seen, and I know the president said tonight that pretty soon we should be getting 90 percent of the oil as it's coming up. What if that doesn't happen, Senator?

VITTER: I don't know, Sean. August is a long time in terms of actually capping the well. The these relief wells. And so we need better answers before that. And that's why also the battle to protect our coastline and marsh is so critical.

And Steve's right, that response has not been there from the federal agencies. The president tonight used great wartime analogy. The problem is that does not match the reality on the ground. There is not the right sense of urgency among federal officials.

SCALISE: No.

VITTER: There is not the clear military style chain of command.

HANNITY: I blame the government, Congressman, for their lack of urgency in reaction to what is an obvious catastrophe. I mean I can't even -- failure does not do justice to how bad this reaction has been here. But for the president -- there's also blame to go around.

And I think we've got to have -- if the president wants to analyze why we're here, he thinks it has to do with our addiction to fossil fuel. Isn't a big part of the reason the Democratic Party's unholy alliance with environmental groups? For example, we couldn't burn, we couldn't use chemical disbursements.

Similarly, why will we 5,000 -- why do we have to go 5,000 feet down in the -- and so deep out to sea when we can go to shallower waters in the Pacific, the Atlantic? Why aren't we in ANWR?

It seems that, you know, this argument that he's making doesn't really seem to meet the smell test that we ran out of water in places that are easier to drill in.

SCALISE: No, it doesn't, Sean, and in fact his friends in the radical environmentalist movement are the ones who pushed us off to the deep waters of the outer continental shelf because they closed off so many of our natural resources. And the federal government continues to underestimate the depth of this problem at every angle.

And tonight the president actually said that he won't tolerate inaction. Yet it was his inaction that caused over three weeks to go by before he even approved the governor's plan to protect our marsh and put up those sand barriers which covered 25 percent of the plan that was submitted by our local leaders.

So before he high-fives and says how good of a job he did on that, 75 percent of that sand barrier plan still hasn't even been approved by this president.

HANNITY: But why hasn't anybody, Senator, asked about the Dutch government's offer for skimmers that could have taken a significant portion of that oil off the surface? Why hasn't anyone asked about why those booms are sitting in that warehouse in Maine?

VITTER: Sean, I've asked about it. In fact, for three weeks I pushed that Dutch issue, because folks in the industry contacted me and knew about this opportunity. And we sent e-mail after e-mail and made contact after contact with both BP and the federal government. And it took a month to get any sort of results.

HANNITY: All right, guys thanks for being with us.

VITTER: Thanks Sean.

HANNITY: And I hope, I hope we start accepting the help of people that can help and we start helping to plug up the hole and cleaning up as quickly as possible. Thank you both for being with us.

VITTER: Thank you.

SCALISE: It's good to be with you Sean.

HANNITY: And coming up, Ohio gubernatorial candidate John Kasich, he'll join us next. Plus outrage in Massachusetts as a high school teacher protests during a school assembly to honor students who have decided to join the military. We'll check in with our great, "Great American Panel".

Also a group of students punished. They had to clean the bathrooms. Well, they are upset, too bad.

**LOAD-DATE:** June 16, 2010

**LANGUAGE:** ENGLISH

**TRANSCRIPT:** 061503cb.253

**DOCUMENT-TYPE:** Show

**PUBLICATION-TYPE:** Transcript

770 of 1000 DOCUMENTS

Fox News Network

June 15, 2010 Tuesday

SHOW: FOX SPECIAL REPORT WITH BRET BAIER 6:40 PM EST

## Fox News All-Stars

**BYLINE:** Charles Krauthammer, Bret Baier, Fred Barnes, Juan Williams

**SECTION:** NEWS; Domestic

**LENGTH:** 2325 words

(BEGIN VIDEO CLIP)

BARACK OBAMA, PRESIDENT OF THE UNITED STATES OF AMERICA: Let me say to people of Pensacola and the Gulf coast -- I am with you and my administration is with you for the long haul, to make sure BP pays for the damage it has done and make sure that you are getting the help you need to protect the beautiful coast and rehabilitate the damaged areas, to revitalize the region and make sure nothing like that happen again.

That is a commitment I'm making to people of Florida and people all across this Gulf.

(END VIDEO CLIP)

BAIER: The president in Florida today as we look live at the **Gulf oil spill**. The National Incident Command now saying anywhere from 45,000 barrels to 60,000 barrels is just spewing in the Gulf every day. That's roughly one Exxon Valdez spill every five days.

Here's Gallup's latest poll of the president's handling of the oil spill -- approval is 39 percent, disapprove is 38 percent. There you can see from May 12 until now.

Take a look at Louisiana, Public Policy, a Democratic leaning poll, approve 32 percent, disapprove 62 percent. This as the president is preparing for the first Oval Office address about this issue.

Let's bring in our panel, Fred Barnes, Executive Editor of "The Weekly Standard," Juan Williams, news analyst for National Public Radio, and syndicated columnist Charles Krauthammer. Fred, you look at those polls and you see the daunting challenge the president faces with the speech. What about it?

FRED BARNES, EXECUTIVE EDITOR, "THE WEEKLY STANDARD": The president is playing catch-up ball. No question about that. I think he can probably turn the poll numbers around. This isn't the same as Katrina was for Bush.

But he has to do three things in his speech. One, I think he needs to undo the harm he's already done and lift the moratorium on the existing drilling going on in the Gulf and help the economy down there. And particularly stop demonizing BP. He will drive the company into collapse.

Greg Palkot said their credit rating has gone down and their stock price is half of what it was. What do people who own the stock if they see \$20 billion moving out the door to some escrow fund they don't know exactly how that many is going to be handled. I think that would hurt the stock more.

He needs to build up the company so they can pay for the damage it's responsible for.

And then he needs to show by actions, not the words -- President Obama relies heavily on words and not on action -- that he is in charge of what he's supposed to be in charge of, his government. He's not supposed to be involved of stopping oil from spurting out, but that his government is operating effectively to minimize damage.

And I think he will show things in the speech to do that.

And thirdly, don't overstate the problem. When he likened it in any way to 9/11 I think that was a huge mistake. It's not a national crisis. It's a horrible problem that affects palpably a region of the country, and he should be honest about that.

BAIER: Juan, there was a AP poll, and here's another question there -- feelings towards increased drilling in the United States coastal areas, favor 45 percent to oppose 41 percent in the AP poll. As you look at this and how the nation is looking at it, what are the challenges tonight?

JUAN WILLIAMS, NEWS ANALYST, NATIONAL PUBLIC RADIO: I think the first and foremost thing is for the president to assert he is in control and knows what's going on. If anyone has doubts as to whether or not he's truly concerned and this is not a political exercise, I think he has to convey sincerity about what he is saying and dealing with the situation.

By that, he has to demonstrate what is going on. The word of the day in Washington, "inflection." What does inflection mean? The White House says it's an inflection point when the thing goes from negative to positive on the chart.

So the president is going to use the power of the Oval Office. Think of Eisenhower in the Little Rock crisis or time after the Cuban missile crisis. That's when you use the Oval Office. There are no reporters to distract people and no Congress out there, just the president talking to the American people. It's very personal, a little bit like FDR radio-side chats for the modern generation.

And he has to say here is what I've done, here is what I'll do, and here's the fact that I'll hold BP accountable, that they won't get away with not paying the bills and have money in escrow. And finally, he has to say moving forward here is what we do to prevent it from happening again.

BAIER: Charles?

CHARLES KRAUTHAMMER, SYNDICATED COLUMNIST: He's not very good at I feel your pain stuff, the Clintonian stuff, although I'm sure it's in the speech and he will correspondent have anecdotes about people who are hurting, but it's not his strength.

I think he's read the polls where over 70 percent of Americans think he hasn't been tough enough on BP. And I think this speech will be kind of a populist off with their heads. He will make "I'm in charge" mean "I'm kicking around BP" and I'll make sure they pay.

BAIER: Who he meets with tomorrow.

KRAUTHAMMER: Who he meets with tomorrow.

Look, there are questions about the legality of, I mean he doesn't -- I don't believe he has the legal authority to force a company to establish in an escrow fund to be administered by a third party. But he knows that the British Petroleum company is on the defensive. And even though he may not have the law on his side, he has public opinion on his side and so he may be able to force that.

On the other hand, you know, when he went and took over the auto companies, he internationalized GM and Chrysler, he wasn't worried about the law standing in his way, where at the time he overwrote all the precedents and basically stuck it to bondholders so he could protect the auto union.

So the law has not been an obstacle to what he wants to do in the past, particularly in a crisis when he feels Americans will give him leeway on that. But it isn't a good precedent, particularly since the oil pollution act of 1990, which was passed after the Exxon Valdez, has a cap on damages of about \$75 million, and here we are talking about tens of billions.

You can't enact that retroactively but he will try to force it using the weight of public opinion behind him.

BAIER: Another poll from the Public Policy poll in Louisiana. This is "Who has done a better job in Louisiana dealing with crisis?" President Bush during Katrina, 50 percent, Barack Obama, 35 percent. The polls are going the wrong way for this president.

BARNES: That's as bad as you can get, because President Bush, unfairly criticized to some degree on Katrina, if he is coming off worse than that, it's bad for Obama.

I want to say one thing in response to Juan. This is not like a fireside chat. You know why? FDR gave them every six or seven months, and people waited for it, they wanted to hear it. Obama used it so much he has worn out the public. I'm not sure there will be a large crowd watching this information that is receptive.

WILLIAMS: Fred, this is unique. He has never been in the Oval Office before. So I think it's an effort of political cleanup of sorts. And to say on the poll, most of the state of Louisiana are Republicans.

BARNES: No they aren't.

WILLIAMS: Yes, they are. And I think they reflect the general Republican attitude there towards the president.

BARNES: They are conservatives.

KRAUTHAMMER: If you poll lower than George Bush in Louisiana after Katrina it gives new meaning to hope and change.

BAIER: Not only that, but that was a Democratic polling organization, the Public Policy poll.

(CROSSTALK)

BAIER: Tell us your expectation for tonight's speech. Vote in our online poll at the newly upgraded FOX-news.com/SpecialReport. The Web site is new. Check it out.

Next up, how the oil spill will impact the president's push for new energy legislation.

(BEGIN VIDEO CLIP)

REP. LOIS CAPPS, (D) CALIFORNIA: We need a safer, a cleaner, and a more economical approach to energy development, one that shifts us away from oil eventually and toward renewable sources that can't destroy the coastline.

REP. MIKE PENCE, (R) INDIANA: The American people don't want this administration to exploit the crisis in the Gulf to advance their disastrous energy policies. We won't cap that well with cap-and-trade.

(END VIDEO CLIP)

BAIER: Some of the debate today over the pending climate change legislation that the president is expected to talk about in the Oval Office address tonight.

This as people are also concerned in this economic environment about taxes. Back to polls, an AP poll, how important is the issue of taxes to you? Very important, 68 percent, moderately 20 percent.

And we'll talk about the legislation pending on Capitol Hill, the most likely to pass is sponsored by Senators Joe Lieberman and John Kerry up on Capitol Hill right now.

We're back with the panel. Juan, they say it saves jobs, creates energy jobs. Republicans say it kills jobs and increases taxes. This is what the president is stepping into tonight.

WILLIAMS: Without a doubt. Charles pointed out, people are concerned about the economy and people want jobs, especially in places like Louisiana where they are hard-hit by the recession. At the same time, people are angry at BP and want BP to be held accountable. So he has to walk a fine line.

But I don't there's any question when it comes to this legislation, what you're hearing from Senator Lieberman and Senator Kerry it will cost American people dollar a day is what the estimate is. That's all it will cost. They think the American people are willing to pay this amount of money in order to have cleaner air and in Lieberman's opinion, lessen our dependence on oil coming from countries that don't like it.

BAIER: In this bill, Charles, there is an effort to cut CO2 emissions by 70-80 percent in decades ahead. That means cutting the coal usage, and that specifically goes to Midwest states that rely heavily on coal.

KRAUTHAMMER: And it's an American fuel. That is why the cap and trade is a huge intellectual swindle. It's about climate change and global warming and not about energy independence, although it will be sold that way or attempted.

The reason is this. If you want to talk about oil security, you have a gas and oil import fee. That would do it. That would be a tax and there are ways to handle that. Some of us recommended that you refund it by reducing the payroll tax so the government won't keep any of your money. That is about oil. That is about security. That is about reducing the amount that ends up in the hands of the Saudis, of the Russians and Hugo Chavez.

But if you do cap-and-trade and a tax on coal you undo all of that. Here you will have a huge tax on coal, which is how our energy is supplied to half of our electricity. It will increase the cost and decrease its use, and thus, it will call us to import the energy from outside.

BAIER: Fred, is there enough anger about the BP oil spill to propel legislation that deals not only with the oil spills but energy prices overall, and people at home will likely see utility prices go up dramatically in an election year?

BARNES: In a word, Bret, no. It's not enough. I think it detracts from his speech if he does this tonight to be pushing some unrelated basically, non-emergency piece of legislation.

Why is he doing it? He is doing it for the reason that he is trying to get the legislation passed before November 2nd when the huge democratic authority that got the healthcare bill through it and might get cap and trade through are still existing. But when they go away, there is no chance of this.

But to exploit the crisis to try to push this thing is ridiculous. I chuckle when I hear you say you believe the dollar a day stuff. In Congress, when someone is pushing a bill, they lowball the cost usually by a multiple of five or six what it will cost, and that's obviously what they're doing here.

WILLIAMS: But they are independent --

BARNES: You weren't born yesterday.

WILLIAMS: Oh, stop. There are independent assessments that give you some idea of what people think it will cost. It's not as is being described here on this panel, some grand huge cost. There are costs attached --

BAIER: But as a political analyst, is this analogous to the healthcare legislation push in that there was a lot of 30,000 feet talk, and we will find out details when it's passed. Is it that set-up in what we are looking at here?

WILLIAMS: I think that dynamic exists. The people will have to discover what it means. How many jobs will be created? Who knows? Will company have an incentive to invest in alternative energy? We'll see. But we are sold something and we don't know what is in the bag.

BAIER: We'll try to find out. That's it for panel, but stay tuned for backlash against the British backlash over the politics of the oil spill.

BAIER: Finally tonight, we have heard a lot about British lawmakers concerns that the Obama administration is talking down BP too much, making BP the enemy. The Brits say that's hurting millions of British pensioners that invested in the company. But now one show has had enough of that line of talk.

(BEGIN VIDEO CLIP)

COLBERT: And I know that BP stock has fallen 40 percent in value and that the company's dividends amount to one-sixth of Britain's pension funds, but I don't give a flying shepherd's pie. I am drawing a line in the sand, in the black flammable sand.

(LAUGHTER)

It is time to bring it to these limey bastards. So from now on, English muffins are now "freedom muffins."

(APPLAUSE)

And Brit Hume is now "Free" Hume. You are welcome, "Free."

(LAUGHTER)

(END VIDEO CLIP)

(LAUGHTER)

BAIER: You are welcome, Free. I know you are watching.

Thanks for inviting us into your home tonight. That's it for this "Special Report," fair, balanced and unafraid. And don't forget, we will have complete coverage and analysis of the president's first Oval Office address to the nation starting at 7:55 eastern time tonight. We will see you then.

**LOAD-DATE:** June 15, 2010

**LANGUAGE:** ENGLISH

**TRANSCRIPT:** 061502cb.254

**DOCUMENT-TYPE:** Show

**PUBLICATION-TYPE:** Transcript

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799 of 1000 DOCUMENTS

Fox News Network

June 6, 2010 Sunday

SHOW: FOX NEWS SUNDAY 9:00 AM EST

## Interviews with Admiral Allen, Governor Barbour

**BYLINE:** Chris Wallace, Steve Harrigan, David Lee Miller

**GUESTS:** Thad Allen, Haley Barbour

**SECTION:** NEWS; Domestic

**LENGTH:** 3946 words

CHRIS WALLACE, HOST: I'm Chris Wallace and this is "Fox News Sunday." The **gulf oil spill**, day 48 -- where do efforts stand to cover up the leak? What progress is being made to clean up the mess? We'll get a report from the region and we'll talk with Admiral Thad Allen, the White House point man on the crisis, and Mississippi governor Haley Barbour.

Then, that Israeli raid on a ship heading to Gaza -- will Israel bow to international pressure and ease its blockade? We'll ask Michael Oren, Israel's ambassador to the U.S.

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And our power players of the week, offering words of wisdom to the class of 2010, all right now on "Fox News Sunday."

And hello again from Fox News in Washington. We are following two developing stories. Overnight, as Fox News first reported, two terror suspects were arrested in New York as they were about to leave the country. Correspondent David Lee Miller is in North Bergen, New Jersey, where one of the men lived.

David Lee?

DAVID LEE MILLER: Chris, North Bergen is directly across the Hudson River from New York City. It is, for the most part, a bedroom community. And it was in the building behind me late last night that a terror raid took place.

The Joint Terrorism Task Force entered the building targeting it because this is where 20-year-old Mohammad Alleza (ph) lived. We are told that he lived with his parents in the building. A landlord described the family as devout Muslims but he said he never saw anything suspicious.

And almost simultaneously about 10 miles away in Elmwood Park, New Jersey, another raid taking place, this one targeting the home of 26-year-old Carlos Almante (ph). Both of those men were arrested late last night at New York City's JFK Airport as they tried to board two separate flights to Egypt. Presumably then they were moving on to Somalia.

There are reports that they wanted to join the terrorist organization El Shabab that is based in Somalia. It is linked to Al Qaida. The two men presumably wanted to go there in order to kill U.S. troops.

Both of them are expected to appear tomorrow morning in federal court in Newark, New Jersey to face charges of conspiring to commit acts of international terror. Authorities say, Chris, that there was no imminent threat to the U.S. Back to you.

WALLACE: David Lee Miller reporting from New Jersey.

David, thanks for that.

Now, the disaster in the gulf. Here's where we stand as we begin day 48. You are looking live at the B.P. spill cam, which shows oil still surging into the gulf. As bad as that looks, the head of B.P. says the new cap on the well is now capturing 10,000 barrels of oil a day.

Still, the spill now reached more than 140 miles of coastline all the way from Louisiana to Florida. And look at this. The size of the spill has tripled in the last month and is now bigger than the state of Vermont.

Damage to one industry is even worse. The area closed to fishing is now larger than the state of Utah. For more, we turn to Fox News correspondent Steve Harrigan who is in Grand Isle, Louisiana.

Steve, what's the latest?

STEVE HARRIGAN: Chris, one sign of at least temporary progress, the head of B.P. saying that now 10,000 barrels per day being picked up by that cap placed over the well, siphoned up to a tanker above the surface. If that's true, that would be roughly half of the amount currently spilling. Of course, no permanent relief in sight until those relief wells are drilled in August.

As far as the visible effects here along Louisiana, they have grown much more dramatic over the past 48 hours as more oil has hit the shore. The state bird, the brown pelican, has been picked up by the dozens.

It's a low-tech operation. Fish and wildlife officers surround the birds, catch them with nets, put them in cardboard boxes and then wash them with dishwashing detergent. They are the state symbol. It's been a very dramatic thing for Louisianans to see.

Also, signs of trouble underneath the surface. The carcass of dolphins saturated with oil have been washing up on shore. And the spread of the spill is continuing now beyond Louisiana to the outer barrier islands off Mississippi and Alabama and, of course, Florida's white beaches along the panhandle -- Pensacola now being hit with tar balls the size of hamburgers.

Here along the gulf, despite three visits by the president, there is still a sense of palpable anger.

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(UNKNOWN): You can't crab. You can't fish. You can't shrimp. You know, we ain't got no fresh seafood nowhere along Grand Isle. I bet you can't find a shrimp sandwich to save your soul.

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HARRIGAN: One ominous sign about how people here are betting against the future, some of these houses behind me, about \$600,000 for sale two months ago, now slashed by a third, just \$400,000. Of course, when you have men in white hazmat suits in your front yard scooping up oil, it's very tough to make a sale. Chris, back to you.

WALLACE: Steve Harrigan reporting from Grand Isle, Louisiana.

Steve, thanks.

Joining us now is the White House point man for the oil spill, Admiral Thad Allen.

And, Admiral, welcome back to "Fox News Sunday."

ALLEN: Hi, Chris.

WALLACE: Let's start with the report from the head of B.P. this morning that the containment well -- the containment cap on the well is capturing 10,000 barrels of oil a day. Is that true?

ALLEN: That's correct, Chris. They've been able to increase production and increase the throughput to 10,000 barrels over the 6,000 of the day before.

WALLACE: So what percentage of the spill does that represent? And do you agree with the head of B.P. that once they adjust the cap, they're going to be able to capture 90 percent of the spill?

ALLEN: Well, that remains to be seen. I think I would establish that as a goal. We actually need to verify what's going to go on there. They need to slowly close those vents and optimize the amount of oil going up into production. Then we'll know for sure.

WALLACE: But 10,000 barrels a day currently -- what does that represent as a percentage of the spill?

ALLEN: We had estimated at the low end 12,000 barrels a day to the high end of 19,000 to 25,000 barrels a day. So we have a way to go to kind of catch up with the -- what we think the flow is.

WALLACE: But you're saying it could be anywhere from 80 percent to about 40 percent?

ALLEN: Right. Well, you know, these are rough estimates. One of the things the production allows us to do is get a real good handle on what the flow actually is by measuring the production.

WALLACE: Are there any more temporary fixes out there, or at this point, once you get that cap firmly on and you close the vents so that that oil as we see isn't spewing out quite as much, are we going to have to wait for the relief wells in August?

ALLEN: The final fix is the relief well in August, and that is the right time frame. And to mitigate the risk of that, there's a second relief well being drilled in case there's a problem with the first.

WALLACE: So we're going to see some version of what we're seeing here on the spill cam from now till August?

ALLEN: The seal around the containment cap has a rubber seal and what we're hoping to do is get as much pressure off that. There may be some oil leakage around down out the seal. We won't know that till we get to full production, and that's what they're ramping up right now.

WALLACE: How encouraged should we be by the fact that we do now finally have a cap on the well, it is capturing 10,000 barrels a day, and you think that's going to go up?

ALLEN: I'd give them a "noted." Let's keep going. I'm not going to -- I don't want to create any undo encouragement by anybody. We need to be on task and get this thing done. We need to underpromise and overdeliver.

WALLACE: So incomplete.

ALLEN: Incomplete.

WALLACE: Meanwhile, the oil has hit, as we noted, 140 miles of the coastline from Louisiana all the way now into eastern Florida. What's your plan to keep the millions of gallons of oil now in the gulf from coming ashore?

ALLEN: Well, it's impacting 140 miles of coastline. It's much larger than that if you talk about the impact, because the entire coastline from central Louisiana to Port St. Joe, Florida is potentially at risk.

The problem we have -- this is not a large monolithic spill anymore. It is a aggregation of thousands of smaller spills that could come ashore at any particular time based on wind and current. So while only 140 mile beaches are impacted, the front line is 300 to 400 miles.

WALLACE: And what are you going to do to defend those front lines?

ALLEN: Well, we have to -- well, you can't wait for it to come to shore. You've got to get off -- some of it's going to get through. We have to understand that. We've got to get offshore and we've got to skim. We've got to -- we've got to attack the oil as far offshore as we can.

We've got a huge skimming armada from Louisiana to Florida operating right now and around the wellhead itself, but we've got to get the stuff offshore. When it comes ashore, nothing good happens.

WALLACE: There are now projections from scientific groups that it's going to get much worse, that the oil is going to get swept up in that current loop -- or rather, loop current in the Gulf of Mexico and, as you can see here on the screen, that it's going to get swept around the Florida Keys, up the east coast and possibly even to Europe.

How likely is that, Admiral?

ALLEN: Well, the probability exists, but it's a low probability right now because an eddy has broken off at the top of that loop and it's actually moved further south in the last seven to 10 days. So far now, it is not a near-term problem (inaudible) get entrained in the loop but it's something we're watching very closely.

WALLACE: How satisfied are you with what B.P. is doing now? Forgetting who (inaudible) and what happened in the past, are you satisfied with what B.P. is doing now in terms of, one, drilling, dealing with the drill, with the well, and also with the clean-up?

ALLEN: I think you have to divide this into three parts. You have to look at the subsea, up -- what's on the surface regarding the amount of oil and the skimming, what we're doing there, and then on shore.

At the bottom of the ocean, I think they're taking every step possible, and I've actually confirmed this with other industry leaders. These are the right steps to be taking.

I've had conversations with B.P. leadership. What they need to get better at -- and they're getting better, but they need to get much better at -- is the retail side, dealing with the people who are impacted by this in terms of claims and how they deal with the public that's really taken the hit on this.

WALLACE: And how about the clean-up? How are they doing with that?

ALLEN: Well, we're putting more Coast Guard people out there to provide direct oversight of the contractors. It's improving. The cycle time from when oil is sighted until we're on the scene is improving. It's got to get better. Nothing should be taken as good enough. It's got to get better.

WALLACE: Let's talk about some criticism. Louisiana governor Jindal has criticized the federal government, and I assume that includes you as the point man, for taking more than two weeks to approve the building of sand berms to protect the coastline, especially those marshes filled with wildlife in Louisiana.

And we can see these just heart-breaking pictures of the pelicans, now more and more of them drenched in oil. Question: Shouldn't you have moved faster?

ALLEN: Within 24 hours after the Corps of Engineers issued the permit to proceed, I told them we could -- they could proceed with the prototype project. And at the direction of the president I convened a meeting last Tuesday in New Orleans and within 24 hours we gave them the yes.

WALLACE: But didn't it take two weeks from the time when they initially requested the sand berms till you got that...

ALLEN: That was the analysis of the permit by the Corps of Engineers looking at the environmental impacts. And I think it was a logical time to do that.

WALLACE: I mean, some people would say, "Look, you've got the oil coming in. Put up the berms."

ALLEN: Well, there are impacts. Putting up berms cuts off water along the estuaries. There are environmental impacts. And the Corps did not approve everything they asked for.

WALLACE: Let's talk about another aspect of this. Internal odds have now been released that show within 24 hours of the explosion that the Coast Guard knew that the spill was going to be worse, perhaps as much as eight times worse, than what B.P. and the government were telling the public at that time.

There are also reports that the Coast Guard had access to B.P. spill videos for weeks at the beginning and that B.P. told you -- told the Coast Guard that you couldn't make those public. First of all, are both of those true?

ALLEN: From the very outset of the explosion -- and I got a call within an hour and a half after the explosion occurred -- we always were preparing for a worst-case discharge. I've never held any credibility with the 1,000, 5,000, even 8,000 by one of the staff officers making an estimate. We prepared for much larger than that. That did not constrain our response. We always knew we had a catastrophic event going on.

WALLACE: But the Coast Guard internal log said that you thought it was going to be 8,000 barrels a day, when B.P. and the government were telling us it was only 1,000 barrels a day.

ALLEN: That was an estimate by one of our officers. I personally gave direction that we need to be prepared for a worst-case scenario. We were never constrained by one, five, or 8,000.

WALLACE: And what about the B.P. spill videos? Did the Coast Guard have access to those video for a couple of weeks and you were told by B.P. don't make those public?

ALLEN: I'm not aware of that. I will actually check in and make a public statement. We've had access to videos and we asked them to release them to public. They have, as far as I know. But I will check into it and we'll make a statement.

WALLACE: No, there was a report that they gave you the videos but then said this is proprietary information and we didn't want to make it available.

ALLEN: That didn't get to my level. I'll check it out and we'll make a statement.

WALLACE: The question really is -- the big question -- who was really in charge in the first days, the first weeks, of this disaster, B.P. or the government? And if the government -- and particularly the public -- had known just how bad the situation was right from the start, would we perhaps -- we the government -- have responded faster? ALLEN: Well, this started out as a search and rescue case. We had the explosion. We had the extraordinary tragic loss of 11 lives. And for 48 hours we were involved in search and rescue when the drill sunk. We mobilized every asset as if it were a catastrophic response.

After the Exxon Valdez, Congress passed legislation called the Oil Pollution Act of 1990, and the way we respond by designating B.P. as a responsible party and having them have contractors available to do the response is the structure that was mandated by Congress after the Exxon Valdez.

We are changing that as necessary to meet this very anomalous event we're dealing with now, but the notion that B.P. is the responsible party and hires contractors is the structure that was created by Congress in 1990.

WALLACE: So was B.P. in charge at the beginning?

ALLEN: We are accountable for oversight. B.P. is the responsible party, supposed to put the resources out there. In the long run the government is accountable. And frankly, I'm accountable.

WALLACE: Well, let me ask you about that, finally. Who's in charge of the government's response? Who do you report to?

ALLEN: I report to Secretary Napolitano and the president.

WALLACE: So is Secretary Napolitano -- who's in charge of saying, "We're going to do this today, we're not going to do that?"

ALLEN: Well, I'm the national incident commander. Obviously, I consult with the secretary and the president, and we take the advice of the -- of the secretary. Secretary Salazar, Secretary Chu are down there looking at the technical issues associated with Houston.

But the final call has to be made to the federal on-scene coordinator by law, and that's a Coast Guard officer.

WALLACE: And that's you?

ALLEN: Yes.

WALLACE: Admiral Allen, we want to thank you so much for coming in today. Good luck going forward.

ALLEN: Thank you.

WALLACE: Now let's get reaction from one of the leaders along the gulf coast, Mississippi governor Haley Barbour, who joins us from the state capital in Jackson.

WALLACE: Governor, how badly has your state been hit both from oil washing up on the shore and also the impact on small businesses from hotels to fishermen who have been impacted by this spill?

BARBOUR: Well, the truth is, Chris, we have had virtually no oil. If you were on the Mississippi gulf coast any time in the last 48 days you didn't see any oil at all. We've had a few tar balls, but we've had -- we have tar balls every year as a natural product of the Gulf of Mexico. Two hundred and fifty thousand to 750,000 barrels of oil seep into the Gulf of Mexico through the floor every year, so tar balls are no big deal.

In fact, I read that Pensacola or the Florida beaches, when they had tar balls yesterday, they didn't even close. They just sent people out to pick them up and throw them in the bag.

The biggest -- the biggest negative impact for us has been the news coverage. There has been no distinction between Grand Isle and Venice and the places in Louisiana that we feel so terrible for that have had oil washing up on them. But the average viewer to this show thinks that the whole coast from Florida to Texas is ankle-deep in oil.

And of course, it's very, very bad for our tourist season. That's the real economic damage. Our first closure of fisheries in Mississippi waters came just earlier this week after about 45 days.

So it may be hard for the viewer to understand, but the worst thing for us has been how our tourist season has been hurt by the misperception of what's going on down here. The Mississippi gulf coast is beautiful. As I tell people, the coast is clear, come on down.

WALLACE: OK. We got the message, Governor. How do you think B.P. and the administration have responded to the oil spill and the clean-up so far?

BARBOUR: Well, look. You know, governors have a little bit different attitude about things like this than Washington. You know, Washington -- everybody's playing the blame game. Who's at fault?

Governors -- we're trying to solve a problem. We're working the problem here. You interviewed Admiral Allen, who, by the way, we think the world of. He came in here after Katrina and did a great job. What we're doing is we've got five layer defense of Mississippi's barrier islands and beaches where we've recruited 1,200 vessels.

And yesterday and today we'll have 250, 350 vessels a day out front of the barrier islands, kind of like a picket line, a sentinel line. And then when we find some oil, which we have only done twice, we get out there and we try to catch it before it comes on to Mississippi.

WALLACE: But, Governor...

BARBOUR: So that's...

WALLACE: ... and I don't mean to ask you...

(CROSSTALK)

BARBOUR: ... solve the problem.

WALLACE: ... I'm not asking you the blame game, but I do have to ask you -- you've been on the national political scene a long time. Do you think President Obama has shown leadership in managing this crisis?

And what do you think of the argument that he needs to demonstrate more anger towards B.P. and more concern towards the residents of the gulf?

BARBOUR: The American people want problems solved. And they don't need Republican politicians like me piling on. The American people are making up their minds pretty clearly about what they think of the administration's performance in this disaster. And I'll let it stand at that.

You know, Napoleon said never interfere with the enemy while he's in the process of destroying himself. So people don't need me to pile on or to talk about what the administration's doing or ought not to do.

I will say this. When we asked them to do something, when we ask Admiral Allen for something, they try to do it. When we ask B.P. for something, they try to do it. There's no satisfactory response until they get that well shut in and no more oil coming out.

WALLACE: Let me ask you...

BARBOUR: But -- and we find out what caused this to happen.

WALLACE: And let me...

BARBOUR: For our future...

WALLACE: Governor...

BARBOUR: ... it's critical to know why this happened.

WALLACE: Well, absolutely.

BARBOUR: Sorry.

WALLACE: And that gets us to the next point, because Louisiana governor Jindal is criticizing the Obama administration for putting a six- month moratorium on deepwater drilling until they figure out what's happened. Do you agree with him, or do you think that he's off-base in calling for continued drilling?

BARBOUR: He's exactly right to call for continued drilling. Let me -- let me say a couple things. In the last 50 years, the four states that allow offshore drilling on the gulf, Mississippi, Louisiana, Texas and Alabama -- more than 30,000 wells have been drilled in the Gulf of Mexico.

This is the first time in that more than 30,000 we have ever had anything like this happen. About 30 percent of America's production of oil and gas coming out of the Gulf of Mexico. If you shut this down, don't kid yourself, you're not

shutting it down for six months. These big oil rigs -- by the way, B.P. and Transocean are not even American companies.

In six months, these oil rigs aren't going to be sitting around the gulf waiting. They're going to be in west Africa. They'll be in Indonesia. They're going to be in China. They're going to be drilling oil wells elsewhere in the world.

And the loss of production that we're going to suffer will make us even more dependent on the Middle East, on Venezuela, on people that aren't our friends.

And let me tell you one other little thing environmentalists ought to think about. Of the 10 worst oil spills in American history, seven of them were from ships. Seven of them were from ships.

WALLACE: Yeah, but, Governor...

(CROSSTALK)

BARBOUR: We have more oil coming in...

WALLACE: Governor, I've got less than a minute...

(CROSSTALK)

WALLACE: ... I've got less than a minute left.

BARBOUR: Excuse me.

WALLACE: And I want to get a quick answer to this, if I can. The White House says until they figure out what happened, a question that you asked, and how to make sure it doesn't happen again, it would be foolish to let these oil companies, including B.P., drill new deepwater wells.

BARBOUR: Well, I disagree with that, because the alternative to that is we've shut in 33 wells just kind of in the middle of production. Who knows if they'll ever come back? And we're going to push all the equipment away, and we're not going to have it to drill here.

Now, if we were drilling more on shore, if we were drilling more in Alaska, you can say OK, we can take a longer break in the gulf. But don't think that a six-month moratorium means six months. It means much, much longer than that.

WALLACE: Governor Barbour, we're going to have to leave it there. We want to thank you, as always, for joining us. It's always a pleasure to talk with you, sir.

BARBOUR: Thank you, Chris, very much.

WALLACE: Up next, the latest on the blockade of Gaza. Will Israel stand firm against an international outcry and pressure from the White House? We'll talk with Israel's ambassador to the U.S. right after this break.

**LOAD-DATE:** June 6, 2010

**LANGUAGE:** ENGLISH

**TRANSCRIPT:** 060601cb.250

**DOCUMENT-TYPE:** Show

**PUBLICATION-TYPE:** Transcript

800 of 1000 DOCUMENTS

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David Lee?

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Steve, thanks.

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And, Admiral, welcome back to "Fox News Sunday."

ALLEN: Hi, Chris.

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ALLEN: That's correct, Chris. They've been able to increase production and increase the throughput to 10,000 barrels over the 6,000 of the day before.

WALLACE: So what percentage of the spill does that represent? And do you agree with the head of B.P. that once they adjust the cap, they're going to be able to capture 90 percent of the spill?

ALLEN: Well, that remains to be seen. I think I would establish that as a goal. We actually need to verify what's going to go on there. They need to slowly close those vents and optimize the amount of oil going up into production. Then we'll know for sure.

WALLACE: But 10,000 barrels a day currently -- what does that represent as a percentage of the spill?

ALLEN: We had estimated at the low end 12,000 barrels a day to the high end of 19,000 to 25,000 barrels a day. So we have a way to go to kind of catch up with the -- what we think the flow is.

WALLACE: But you're saying it could be anywhere from 80 percent to about 40 percent?

ALLEN: Right. Well, you know, these are rough estimates. One of the things the production allows us to do is get a real good handle on what the flow actually is by measuring the production.

WALLACE: Are there any more temporary fixes out there, or at this point, once you get that cap firmly on and you close the vents so that that oil as we see isn't spewing out quite as much, are we going to have to wait for the relief wells in August?

ALLEN: The final fix is the relief well in August, and that is the right time frame. And to mitigate the risk of that, there's a second relief well being drilled in case there's a problem with the first.

WALLACE: So we're going to see some version of what we're seeing here on the spill cam from now till August?

ALLEN: The seal around the containment cap has a rubber seal and what we're hoping to do is get as much pressure off that. There may be some oil leakage around down out the seal. We won't know that till we get to full production, and that's what they're ramping up right now.

WALLACE: How encouraged should we be by the fact that we do now finally have a cap on the well, it is capturing 10,000 barrels a day, and you think that's going to go up?

ALLEN: I'd give them a "noted." Let's keep going. I'm not going to -- I don't want to create any undo encouragement by anybody. We need to be on task and get this thing done. We need to underpromise and overdeliver.

WALLACE: So incomplete.

ALLEN: Incomplete.

WALLACE: Meanwhile, the oil has hit, as we noted, 140 miles of the coastline from Louisiana all the way now into eastern Florida. What's your plan to keep the millions of gallons of oil now in the gulf from coming ashore?

ALLEN: Well, it's impacting 140 miles of coastline. It's much larger than that if you talk about the impact, because the entire coastline from central Louisiana to Port St. Joe, Florida is potentially at risk.

The problem we have -- this is not a large monolithic spill anymore. It is a aggregation of thousands of smaller spills that could come ashore at any particular time based on wind and current. So while only 140 mile beaches are impacted, the front line is 300 to 400 miles.

WALLACE: And what are you going to do to defend those front lines?

ALLEN: Well, we have to -- well, you can't wait for it to come to shore. You've got to get off -- some of it's going to get through. We have to understand that. We've got to get offshore and we've got to skim. We've got to -- we've got to attack the oil as far offshore as we can.

We've got a huge skimming armada from Louisiana to Florida operating right now and around the wellhead itself, but we've got to get the stuff offshore. When it comes ashore, nothing good happens.

WALLACE: There are now projections from scientific groups that it's going to get much worse, that the oil is going to get swept up in that current loop -- or rather, loop current in the Gulf of Mexico and, as you can see here on the screen, that it's going to get swept around the Florida Keys, up the east coast and possibly even to Europe.

How likely is that, Admiral?

ALLEN: Well, the probability exists, but it's a low probability right now because an eddy has broken off at the top of that loop and it's actually moved further south in the last seven to 10 days. So far now, it is not a near-term problem (inaudible) get entrained in the loop but it's something we're watching very closely.

WALLACE: How satisfied are you with what B.P. is doing now? Forgetting who (inaudible) and what happened in the past, are you satisfied with what B.P. is doing now in terms of, one, drilling, dealing with the drill, with the well, and also with the clean-up?

ALLEN: I think you have to divide this into three parts. You have to look at the subsea, up -- what's on the surface regarding the amount of oil and the skimming, what we're doing there, and then on shore.

At the bottom of the ocean, I think they're taking every step possible, and I've actually confirmed this with other industry leaders. These are the right steps to be taking.

I've had conversations with B.P. leadership. What they need to get better at -- and they're getting better, but they need to get much better at -- is the retail side, dealing with the people who are impacted by this in terms of claims and how they deal with the public that's really taken the hit on this.

WALLACE: And how about the clean-up? How are they doing with that?

ALLEN: Well, we're putting more Coast Guard people out there to provide direct oversight of the contractors. It's improving. The cycle time from when oil is sighted until we're on the scene is improving. It's got to get better. Nothing should be taken as good enough. It's got to get better.

WALLACE: Let's talk about some criticism. Louisiana governor Jindal has criticized the federal government, and I assume that includes you as the point man, for taking more than two weeks to approve the building of sand berms to protect the coastline, especially those marshes filled with wildlife in Louisiana.

And we can see these just heart-breaking pictures of the pelicans, now more and more of them drenched in oil. Question: Shouldn't you have moved faster?

ALLEN: Within 24 hours after the Corps of Engineers issued the permit to proceed, I told them we could -- they could proceed with the prototype project. And at the direction of the president I convened a meeting last Tuesday in New Orleans and within 24 hours we gave them the yes.

WALLACE: But didn't it take two weeks from the time when they initially requested the sand berms till you got that...

ALLEN: That was the analysis of the permit by the Corps of Engineers looking at the environmental impacts. And I think it was a logical time to do that.

WALLACE: I mean, some people would say, "Look, you've got the oil coming in. Put up the berms."

ALLEN: Well, there are impacts. Putting up berms cuts off water along the estuaries. There are environmental impacts. And the Corps did not approve everything they asked for.

WALLACE: Let's talk about another aspect of this. Internal odds have now been released that show within 24 hours of the explosion that the Coast Guard knew that the spill was going to be worse, perhaps as much as eight times worse, than what B.P. and the government were telling the public at that time.

There are also reports that the Coast Guard had access to B.P. spill videos for weeks at the beginning and that B.P. told you -- told the Coast Guard that you couldn't make those public. First of all, are both of those true?

ALLEN: From the very outset of the explosion -- and I got a call within an hour and a half after the explosion occurred -- we always were preparing for a worst-case discharge. I've never held any credibility with the 1,000, 5,000, even 8,000 by one of the staff officers making an estimate. We prepared for much larger than that. That did not constrain our response. We always knew we had a catastrophic event going on.

WALLACE: But the Coast Guard internal log said that you thought it was going to be 8,000 barrels a day, when B.P. and the government were telling us it was only 1,000 barrels a day.

ALLEN: That was an estimate by one of our officers. I personally gave direction that we need to be prepared for a worst-case scenario. We were never constrained by one, five, or 8,000.

WALLACE: And what about the B.P. spill videos? Did the Coast Guard have access to those video for a couple of weeks and you were told by B.P. don't make those public?

ALLEN: I'm not aware of that. I will actually check in and make a public statement. We've had access to videos and we asked them to release them to public. They have, as far as I know. But I will check into it and we'll make a statement.

WALLACE: No, there was a report that they gave you the videos but then said this is proprietary information and we didn't want to make it available.

ALLEN: That didn't get to my level. I'll check it out and we'll make a statement.

WALLACE: The question really is -- the big question -- who was really in charge in the first days, the first weeks, of this disaster, B.P. or the government? And if the government -- and particularly the public -- had known just how bad the situation was right from the start, would we perhaps -- we the government -- have responded faster? ALLEN: Well, this started out as a search and rescue case. We had the explosion. We had the extraordinary tragic loss of 11 lives. And for 48 hours we were involved in search and rescue when the drill sunk. We mobilized every asset as if it were a catastrophic response.

After the Exxon Valdez, Congress passed legislation called the Oil Pollution Act of 1990, and the way we respond by designating B.P. as a responsible party and having them have contractors available to do the response is the structure that was mandated by Congress after the Exxon Valdez.

We are changing that as necessary to meet this very anomalous event we're dealing with now, but the notion that B.P. is the responsible party and hires contractors is the structure that was created by Congress in 1990.

WALLACE: So was B.P. in charge at the beginning?

ALLEN: We are accountable for oversight. B.P. is the responsible party, supposed to put the resources out there. In the long run the government is accountable. And frankly, I'm accountable.

WALLACE: Well, let me ask you about that, finally. Who's in charge of the government's response? Who do you report to?

ALLEN: I report to Secretary Napolitano and the president.

WALLACE: So is Secretary Napolitano -- who's in charge of saying, "We're going to do this today, we're not going to do that?"

ALLEN: Well, I'm the national incident commander. Obviously, I consult with the secretary and the president, and we take the advice of the -- of the secretary. Secretary Salazar, Secretary Chu are down there looking at the technical issues associated with Houston.

But the final call has to be made to the federal on-scene coordinator by law, and that's a Coast Guard officer.

WALLACE: And that's you?

ALLEN: Yes.

WALLACE: Admiral Allen, we want to thank you so much for coming in today. Good luck going forward.

ALLEN: Thank you.

WALLACE: Now let's get reaction from one of the leaders along the gulf coast, Mississippi governor Haley Barbour, who joins us from the state capital in Jackson.

WALLACE: Governor, how badly has your state been hit both from oil washing up on the shore and also the impact on small businesses from hotels to fishermen who have been impacted by this spill?

BARBOUR: Well, the truth is, Chris, we have had virtually no oil. If you were on the Mississippi gulf coast any time in the last 48 days you didn't see any oil at all. We've had a few tar balls, but we've had -- we have tar balls every year as a natural product of the Gulf of Mexico. Two hundred and fifty thousand to 750,000 barrels of oil seep into the Gulf of Mexico through the floor every year, so tar balls are no big deal.

In fact, I read that Pensacola or the Florida beaches, when they had tar balls yesterday, they didn't even close. They just sent people out to pick them up and throw them in the bag.

The biggest -- the biggest negative impact for us has been the news coverage. There has been no distinction between Grand Isle and Venice and the places in Louisiana that we feel so terrible for that have had oil washing up on them. But the average viewer to this show thinks that the whole coast from Florida to Texas is ankle-deep in oil.

And of course, it's very, very bad for our tourist season. That's the real economic damage. Our first closure of fisheries in Mississippi waters came just earlier this week after about 45 days.

So it may be hard for the viewer to understand, but the worst thing for us has been how our tourist season has been hurt by the misperception of what's going on down here. The Mississippi gulf coast is beautiful. As I tell people, the coast is clear, come on down.

WALLACE: OK. We got the message, Governor. How do you think B.P. and the administration have responded to the oil spill and the clean-up so far?

BARBOUR: Well, look. You know, governors have a little bit different attitude about things like this than Washington. You know, Washington -- everybody's playing the blame game. Who's at fault?

Governors -- we're trying to solve a problem. We're working the problem here. You interviewed Admiral Allen, who, by the way, we think the world of. He came in here after Katrina and did a great job. What we're doing is we've got five layer defense of Mississippi's barrier islands and beaches where we've recruited 1,200 vessels.

And yesterday and today we'll have 250, 350 vessels a day out front of the barrier islands, kind of like a picket line, a sentinel line. And then when we find some oil, which we have only done twice, we get out there and we try to catch it before it comes on to Mississippi.

WALLACE: But, Governor...

BARBOUR: So that's...

WALLACE: ... and I don't mean to ask you...

(CROSSTALK)

BARBOUR: ... solve the problem.

WALLACE: ... I'm not asking you the blame game, but I do have to ask you -- you've been on the national political scene a long time. Do you think President Obama has shown leadership in managing this crisis?

And what do you think of the argument that he needs to demonstrate more anger towards B.P. and more concern towards the residents of the gulf?

BARBOUR: The American people want problems solved. And they don't need Republican politicians like me piling on. The American people are making up their minds pretty clearly about what they think of the administration's performance in this disaster. And I'll let it stand at that.

You know, Napoleon said never interfere with the enemy while he's in the process of destroying himself. So people don't need me to pile on or to talk about what the administration's doing or ought not to do.

I will say this. When we asked them to do something, when we ask Admiral Allen for something, they try to do it. When we ask B.P. for something, they try to do it. There's no satisfactory response until they get that well shut in and no more oil coming out.

WALLACE: Let me ask you...

BARBOUR: But -- and we find out what caused this to happen.

WALLACE: And let me...

BARBOUR: For our future...

WALLACE: Governor...

BARBOUR: ... it's critical to know why this happened.

WALLACE: Well, absolutely.

BARBOUR: Sorry.

WALLACE: And that gets us to the next point, because Louisiana governor Jindal is criticizing the Obama administration for putting a six-month moratorium on deepwater drilling until they figure out what's happened. Do you agree with him, or do you think that he's off-base in calling for continued drilling?

BARBOUR: He's exactly right to call for continued drilling. Let me -- let me say a couple things. In the last 50 years, the four states that allow offshore drilling on the gulf, Mississippi, Louisiana, Texas and Alabama -- more than 30,000 wells have been drilled in the Gulf of Mexico.

This is the first time in that more than 30,000 we have ever had anything like this happen. About 30 percent of America's production of oil and gas coming out of the Gulf of Mexico. If you shut this down, don't kid yourself, you're not

shutting it down for six months. These big oil rigs -- by the way, B.P. and Transocean are not even American companies.

In six months, these oil rigs aren't going to be sitting around the gulf waiting. They're going to be in west Africa. They'll be in Indonesia. They're going to be in China. They're going to be drilling oil wells elsewhere in the world.

And the loss of production that we're going to suffer will make us even more dependent on the Middle East, on Venezuela, on people that aren't our friends.

And let me tell you one other little thing environmentalists ought to think about. Of the 10 worst oil spills in American history, seven of them were from ships. Seven of them were from ships.

WALLACE: Yeah, but, Governor...

(CROSSTALK)

BARBOUR: We have more oil coming in...

WALLACE: Governor, I've got less than a minute...

(CROSSTALK)

WALLACE: ... I've got less than a minute left.

BARBOUR: Excuse me.

WALLACE: And I want to get a quick answer to this, if I can. The White House says until they figure out what happened, a question that you asked, and how to make sure it doesn't happen again, it would be foolish to let these oil companies, including B.P., drill new deepwater wells.

BARBOUR: Well, I disagree with that, because the alternative to that is we've shut in 33 wells just kind of in the middle of production. Who knows if they'll ever come back? And we're going to push all the equipment away, and we're not going to have it to drill here.

Now, if we were drilling more on shore, if we were drilling more in Alaska, you can say OK, we can take a longer break in the gulf. But don't think that a six-month moratorium means six months. It means much, much longer than that.

WALLACE: Governor Barbour, we're going to have to leave it there. We want to thank you, as always, for joining us. It's always a pleasure to talk with you, sir.

BARBOUR: Thank you, Chris, very much.

WALLACE: Up next, the latest on the blockade of Gaza. Will Israel stand firm against an international outcry and pressure from the White House? We'll talk with Israel's ambassador to the U.S. right after this break.

**LOAD-DATE:** June 6, 2010

**LANGUAGE:** ENGLISH

**TRANSCRIPT:** 060601cb.250

**DOCUMENT-TYPE:** Show

**PUBLICATION-TYPE:** Transcript

846 of 1000 DOCUMENTS

Fox News Network

July 13, 2010 Tuesday

SHOW: FOX HANNITY 9:00 PM EST

## Obama Approval at New Low in New Poll

**BYLINE:** Sean Hannity, Karl Rove, Dana Perino, Stuart Varney

**SECTION:** NEWS; Domestic

**LENGTH:** 3484 words

SEAN HANNITY, HOST: All right, so maybe it's the inept way he handled the **gulf oil spill**, maybe it's his ineffective economic policies, or maybe it's the disastrous health care bill that he pushed through Congress. Whatever it is, the voters of this country have lost faith in their president.

Now, a shocking new poll reveals that confidence in President Obama has now reached an all-time low. The Washington Post/ABC News poll indicates that almost 6 in 10 voters, that's 57 percent, lack confidence that the president will make the right decisions for the country's future. Not only that, but on the issue at the forefront on most people's minds, the economy, a whopping 54 percent of voters disapprove of the president's decisions. Now, given the lackluster results of his economic stimulus bill, I suppose that's no surprise, just the chickens coming home to roost, as the president's good friend may say.

And joining me now with analysis on all these poll numbers and what they mean for the Democrats and for the president himself is FOX News contributor, the one and only, the "architect" -- Karl Rove is with us. Karl, welcome back.

KARL ROVE, FMR. BUSH SENIOR ADVISER, FOX CONTRIBUTOR: Glad to be back. Thanks, Sean.

HANNITY: All right, 6 in 10 voters say they lack faith in the president and his ability to make the right decisions for the country. What do you make of it?

ROVE: He's lost about a third of the people who were confident in his abilities when he came into office a year-and-a-half ago. And I think it largely to be found -- the reason for it is largely to be found on the number one issue facing America, the economy. In the latest poll, as you mentioned, 43 percent approve of his performance on the economy, 54 percent disapprove.

But what really caught my eye was 20 percent of the American people strongly approve of his performance on the economy and 41 percent strongly disapprove. That's a 2-to-1 negative ratio among those who've got strong opinions. Eighty percent of the people who disapprove of the economy feel strongly about it. Half the people who approve of his performance, less than half, feel strongly about it. So I mean, he's being driven the wrong way on the economy.

HANNITY: All right, now, there's also in this very same poll here, people that are likely to vote in the mid-terms, Democrats over Republicans. Republicans have a 56-41 percent margin. That's a 15-point margin. Can you read a lot into that, or is it still too early in your mind?

ROVE: Yes. No, no, I can, and here's a simple way to look at this. If you look at all voters, all voters -- it's a 47...

HANNITY: Hang on. Are you writing that as you go?

ROVE: I'm going! I'm going, man.

HANNITY: All right.

ROVE: It's 47/46 among all voters. Among likely voters, it's 49/45. This is among likely voters. Among independents who are likely to vote in this election, the ballot is 53 percent Republican, 36 percent Democrat. I mean, talk about being upside-down with the swing voters. These are the people that delivered the election to Obama in '08. They're going to deliver him a resounding defeat in 2010 if this holds up.

HANNITY: All right, but then we've got governors' races. Jerry Brown is down to Meg Whitman in California. Barbara Boxer is upside-down in California. Russ Feingold is in trouble in Wisconsin. Harry Reid in Nevada -- he is in trouble.

You know, the scenario -- and I got to say, Dick Morris was on the program last night, was the first to say he even thought the Senate was in play. Now, you've been very, very cautious because I guess you've been around the political world too often to really go out on a limb and say, I think the Republicans really have a good shot at the House and Senate. Is that opinion maybe changing with new news?

ROVE: Well, I've always thought the Republicans have a good shot at taking the House, but a lot of this is going to depend on the outcome of primaries. We got primaries, for example, today in Alabama. Are we going to get a good candidate who's capable of winning? We may not even know tomorrow, when the candidate's chosen, whether he or she is going to be capable of running a strong campaign. We got primaries all the way to August and September. So I'm a little reluctant to say, Oh, yes, the Republicans are going to take the House.

A second reason is, these elections are going to be, at the end of the day -- the races that determine the majority control are awfully close. I think you and I have talked about this before. If you look at the 15 contests in 2006 -- 15 was the magic number. If Republicans lost 15 seats, they lost control of the House. So the 15 closest races that settled control the House, out of 82 million votes cast, were settled by 27,022 votes cumulative. That's about 1,500 votes per congressional district. Congressional district could have 600,000 people in it. That's a really small number.

But something is happening out there. You mentioned California, and you're right, Whitman and Fiorina are in good shape. But what caught me is the Republican candidate for attorney general that's way down the ballot. He's leading his Democrat opponent. That says something really is happening all across the board, and even in a blue state, a purple state like California, the Republicans have got a shot.

HANNITY: There are three things...

ROVE: A really good shot.

HANNITY: ... that stand out in my mind. Number one, you know, what will the Democrats run on in terms of their record now? They've had control of all of Washington, both houses of Congress. They have the White House. What is that they're going to point to say, Hey, we did this for you, and point to it as a success? Only a 38 percent approval rating for the president among independents. We saw the impact in states like Massachusetts and New Jersey with independents.

And the other thing that I think that is really emerging, the third point, is 55 percent of the country now thinks that the adjective "socialist" applies to the president, and that's a narrative that I've advanced often. I think those three things are -- does not bode well for the Democrats in 112 days. Your reaction to that?

ROVE: Yes. Well, first of all, about the choice -- you're right. Look at the policies they've delivered on. Health care is upside-down in the -- in the -- only 45 percent of the American people approve of the president's performance on health care. Only 44 percent approve of his performance on financial regulation, the bill -- big bill they're working through now. Only 40 percent in The Washington Post/ABC poll agree with him on the issue of deficits, approve of what he's done on there. So he's got a real problem with the issues.

In fact, Sean, there's a new poll out from Resurgent Republic (ph), a group that I sort of helped bring into existence. And it was shocking to me because this poll just out tested the -- tested what the Democrats are saying on issues like spending and deficits and debt and health care and versus what Republicans might say about them. And even if you toss all of these things that Democrats are saying that are not true but sound good, they still come up short on all these big questions.

HANNITY: Yes.

ROVE: So they got a fundamental flaw with their message. It's not just the messenger and the messengers in Congress, it's also fundamentally the message they seem to have chosen.

HANNITY: All right...

ROVE: Twenty-seven percent of the American people think -- 20 -- withdraw that -- 27 percent think the economy is going in the right way. How good do you think it is to run, as the presidents's doing, by saying, We're moving things in the right way, when only 27 percent of the American people agree with you?

HANNITY: Oh, I -- I think -- obviously, it's a big problem. All right, here's a question that I'm sure you get asked this often, as I do. I'm focused on 112 days from now because I think this is one of the most important mid-terms in our lifetime in terms of, are we going to change direction or stop the move towards radicalism, leftism, socialism, statism, use whatever term you want.

Here's the question I get asked (INAUDIBLE) You know, who do you think is going to run in 2012 against the president? It was interesting. If you look at this poll, most people, 51 percent, want the Republicans to run Congress as a check against Barack Obama. Can we read deeply into that and think well, maybe Americans really still like divided government? It's a point that George Will has often made.

ROVE: Yes. I do think there's a general inclination on the part of the American people to believe that since they don't trust either party, that it's better to divide the power. On the other hand, we tend to over time elect -- you know, we elected a Republican president and kept a Republican Congress for six years of his presidency. You know, we've had longtime, you know, Jimmy Carter, I mean, Democratic Congress, Democratic Senate. So I think it's a little bit more sophisticated than that. I also think people are focused on the here and now. I don't think they're thinking about 2012.

HANNITY: Yes. They keep asking...

(CROSSTALK)

ROVE: ... for change.

HANNITY: Who do you...

ROVE: Yes, they -- they...

HANNITY: Who do you think is going to run?

ROVE: Yes, absolutely...

HANNITY: That's what they want to know.

ROVE: Well, I can tell you who could run. I just...

HANNITY: Who's going to win?

ROVE: ... don't know who's going to be the Republican nominee. Yes, it's -- it's -- no -- and look, we got several geological ages that are going to pass before we can decide that.

HANNITY: All right. I'm thinking you might want to get in the race. I don't know.

ROVE: I don't know. I'm going for Hannity. I'm going to for -- I want -- the country would be better off if it was Hannitized.

HANNITY: And you're going to -- you would vote for me and run my campaign.

ROVE: If you ran...

HANNITY: OK.

ROVE: ... might well do that.

HANNITY: All right, Karl Rove, "the architect," thanks, as always, for being with us. And we have plenty more HANNITY right here where I'm staying straight ahead.

(BEGIN VIDEO CLIP)

BARACK OBAMA, PRESIDENT OF THE UNITED STATES: Jack, I'm looking forward to working with you on your critical mission.

HANNITY: He watched as CitiGroup crumbled. Now the president wants Jack Lew to be the budget director. Dana Perino and Stuart Varney are here with reaction.

MICHELLE OBAMA, FIRST LADY: I think those Founders would urge us to increase our intensity.

HANNITY: The first lady praises the NAACP, and one day later, that organization condemns the tea party movement as a threat to democracy.

Plus: An outraged parent responds to Montana's controversial new sex ed program. HANNITY continues straight ahead.

(END VIDEO CLIP)

HANNITY: All right, stimulus signs are popping up on roadways all across America, and according to The Washington Examiner, the signs will cost taxpayers an estimated \$192 million dollars. Now, states are required to display the signs near any stimulus-funded project. A 2009 White House memo called them, quote, "a symbol of President Obama's commitment to the American people to invest their tax dollars wisely." It's a tough argument to make considering the signs cost about \$10,000 apiece. I need to go in the sign business! Straight ahead.

HANNITY: All right, President Obama has been criss-crossing the country in recent weeks as part of his "Recovery Summer" tour. But a recent visit by the Anointed One to a California company is now turning into a major embarrassment for the White House. Now, in May, the president visited Solyndra, Inc., and had this to say about the solar manufacturing company.

(BEGIN VIDEO CLIP)

BARACK OBAMA, PRESIDENT OF THE UNITED STATES: It's here that companies like Solyndra are leading the way toward a brighter and more prosperous future. The true engine of economic growth will always be companies like Solyndra.

(END VIDEO CLIP)

HANNITY: All right, but despite a high-profile presidential visit and a \$535 million loan guarantee from the federal government, the company now says it does not expect to turn a profit until 2013. Now, both The New York Times and The Washington Post have reported in recent days that the company that was once the pride of the president's stimulus is now just trying to keep its head above water, even scrapping plans to go public. So in other words, the president may have been slightly exaggerating the state of that company.

But the Anointed One was far more careful with his words today when he announced his intention to nominate Jack Lew to become his next budget director. In a brief statement, the president praised Lew's commitment to public service. Let's look at this.

(BEGIN VIDEO CLIP)

OBAMA: If there was a hall of fame for budget directors, then Jack Lew surely would have earned a place for his service in that role under President Clinton. When Jack was deputy director at OMB, he was part of the team that reached a bipartisan agreement to balance the budget. He was a principal domestic policy adviser to Tip O'Neill. He was executive vice president at New York University. And for the past year-and-a-half, he's been successful in overseeing the State Department's extremely complex and challenging budget as deputy secretary of state for management and resources.

(END VIDEO CLIP)

HANNITY: Now, what you didn't hear from the president there was that before joining the State Department, Lew served as the head fund manager at CitiGroup when the company failed. So it looks like the president conveniently forgot to mention that aspect of Lew's biography. What a shock.

And joining me now with reaction to the president's selective memory are the host of "Varney & Company" on the FOX Business Network, Stuart Varney, and the former White House press secretary, FOX News contributor, fill-in host of the FOX News Channel -- all right, the worst interview was me, right?

DANA PERINO, FMR. BUSH WHITE HOUSE PRESS SECRETARY, FOX CONTRIBUTOR: No!

(LAUGHTER)

HANNITY: Yes, it was!

PERINO: I would -- I'm sitting on your show. I can't really say that.

HANNITY: Well, I can -- I can just think it, but I can't say it. First of all, let's go to Lew. I -- great resume as long as you pad it and you forget that little aspect about CitiGroup.

STUART VARNEY, FOX BUSINESS: Great resume? He's a government man!

HANNITY: That's my point!

VARNEY: Come on, he's a government man! And he's in charge of cutting the government's budget? My question is, will Mr. Lew be honest? At OMB, will he admit that the health care plan of Barack Obama is going to raise health care costs and not cut them? Is he going to admit that health care reform is essentially income redistribution? Is he going to be honest and admit all of that...

HANNITY: No!

VARNEY: ... as a government man?

(CROSSTALK)

HANNITY: ... no, no and no.

PERINO: (INAUDIBLE) host your show.

(LAUGHTER)

PERINO: What I would say is that when he's accused of being a government man -- haven't we all been saying that we wanted more people in the administration who had private sector experience? Even though it was omitted today from the president's remarks, he was the hedge fund manager of a company that...

(CROSSTALK)

VARNEY: And then they got a government bail-out!

PERINO: But he wasn't the only one and it wasn't -- you know, he wasn't only at fault. And I checked with a few people today. They think this was a really solid choice.

VARNEY: What?

HANNITY: Look at Stuart's face!

VARNEY: What?

HANNITY: Go ahead. Respond.

VARNEY: Look, here's a man who is going to have to shepherd through some kind of action to cut the deficit.

PERINO: Yes. I don't envy him.

VARNEY: Now, this man -- he spent his life in government. Essentially, he's...

PERINO: No, he didn't, because he was the hedge fund manager at CitiBank!

VARNEY: Oh, for -- that doesn't -- look, he's going to -- he's going to be the one who pushes forward with tax increases. That is going to be his answer to how we cut the deficit!

(CROSSTALK)

HANNITY: We already know the debt commission is going to end up being a cover.

VARNEY: Yes.

HANNITY: I spoke to Thomas Sole (ph), who I think -- Dr. Sole, who I think is one of the greatest columnists, writers, authors of all time. And he had an interesting column, and he suggested that the trap for Republicans is always going to be there are going to be promised spending cuts and they're going to be trapped into raising taxes. And I'm telling you that debt commission is nothing but a cover, and that is the next shoe to drop, which will hurt the economy even further. Am I wrong?

PERINO: No, I think you're absolutely right. And I wish that Congress at some point, either under Republicans or Democrats, would take on eating some of their spinach that we've talked about, to actually do the tough work. But now...

(CROSSTALK)

PERINO: ... outsource it to a debt commission is...

VARNEY: Well, it's...

HANNITY: The debt commission...

(CROSSTALK)

VARNEY: ... the worst possible thing to raise taxes significantly on January the 1st, and that is what's going to happen, or to introduce a VAT or a transaction tax...

HANNITY: All this...

(CROSSTALK)

VARNEY: Any kind of tax increase, at this point, is the worst thing you can do...

PERINO: But all of that...

VARNEY: ... because it will raise the deficit in the long term because it'll slow the economy.

HANNITY: All right, but look at what just happened today. Obama's 2010 deficit, this year, \$1.4 trillion last year -- just today, for this fiscal year, which is not over until October, a trillion dollars more in deficit spending. You know, forget a sledgehammer! I mean, we took a nuclear bomb and we blew up our kids' piggy banks, for crying out loud! And the impact long term on the economy is bad.

PERINO: Well, and if you look at what's happening tomorrow, the U.S. Chamber of Commerce is going to have a job summit, where they're figuring out, How can we specifically create jobs? I thought it was very clever of the White House earlier this week to ask the Business Roundtable -- and only the Business Roundtable, which has been up to now very supportive of his agenda -- to specifically name regulations or policies that are hampering job growth. They didn't even ask the Chamber. They didn't ask the National Federation of Independent Business. They didn't ask the small business owners.

HANNITY: They didn't ask Stuart Varney, Sean Hannity or Dan Perino, either.

PERINO: I know. They could have.

HANNITY: Look, the answer to me is simple, basic capitalism, Free Markets 101. And that is you incentivize business, cut back on the bureaucracy, the regulation, confiscatory taxation. I don't think it's any more complicated.

VARNEY: And it's not going to happen. And that is exactly what every small business operator in America looks at when you look into the future. You know full well your taxes are going up! You know perfectly well that the regulatory climate is going to be really awful! You know full well that this president is going to demonize you if you make a profit, demonize you for being competitive and aggressive!

If you're staring that in the face, are you going to expand your business? You going to hire people...

(CROSSTALK)

PERINO: Well, I think just pointing out this solar company that he was touting and providing more money to -- we are throwing good money after bad. I'm for solar power. I'm for all the source of power that we can get...

HANNITY: Let the free market develop it!

PERINO: ... but we are not going to be able to change the laws of physics. And no amount of solar power, research and development money is going to...

VARNEY: We need oil!

PERINO: ... change things and to create enough jobs in the country.

VARNEY: Look...

PERINO: In the meantime...

HANNITY: We got to run.

PERINO: ... they have put forward a moratorium again and tens of thousands of jobs...

HANNITY: They're yelling at me, Stuart.

PERINO: ... are (INAUDIBLE)

HANNITY: Quick!

VARNEY: The day the president announces \$2 billion for two solar companies to create 1,500 jobs, maybe, he kills 20,000 jobs...

PERINO: For a company that is hemorrhaging cash!

VARNEY: He kills \$20,000 jobs in Louisiana. Extraordinary!

(CROSSTALK)

VARNEY: That's not a serious energy policy!

HANNITY: I agree with both of you, and it's good to see you. You two are arguing more and more every week! This is getting interesting.

VARNEY: I'll calm down, I promise.

HANNITY: Thank you both for being with us. And we have plenty more HANNITY straight ahead.

(BEGIN VIDEO CLIP)

UNIDENTIFIED MALE: Sarah Palin said (INAUDIBLE) party like it's 1776!

HANNITY: The NAACP condemns elements of the tea party movement as explicitly racist, but where is the evidence? A Montana school board proposes sex ed for kindergartners. Tonight you'll hear from one outraged parent!

SEN. HARRY REID (D-NV), MAJORITY LEADER: On many occasions (INAUDIBLE) I think he should have been more firm.

HANNITY: Plus, "Prince" Harry Reid takes on the Anointed One in a shocking TV interview. Much more HANNITY straight ahead.

(END VIDEO CLIP)

**LOAD-DATE:** July 14, 2010

**LANGUAGE:** ENGLISH

**TRANSCRIPT:** 071301cb.253

**DOCUMENT-TYPE:** Show

**PUBLICATION-TYPE:** Transcript

854 of 1000 DOCUMENTS

Fox News Network

**June** 16, 2010 Wednesday

**SHOW:** FOX HANNITY 9:00 PM EST

## **Disastrous Disaster Speech; Obama Names Another Czar; Oil Spill Disaster**

**BYLINE:** Sean Hannity, Sandra Smith, Greta Van Susteren

**GUESTS:** Karl Rove, Michelle Malkin, Sandra Smith, Oliver North, Juan Williams, Rebecca St. James, Penny Nance, Erik Rush, Jan Brewer

**SECTION:** NEWS; Domestic

**LENGTH:** 7791 words

SEAN HANNITY, FOX HOST: The president delivered an Oval Office address on the **Gulf oil spill** last night in an effort to make up for 57 days of federal inaction.

Now he insisted that his team was on top of the crisis from day one. And then seamlessly transitioned into a political pitch for Democratic energy policies.

Let's just say the anointed one's attempt to cover up his tracks didn't get rave reviews.

(BEGIN VIDEO CLIP)

UNIDENTIFIED MALE: It seemed more like a PR spiel instead of real, genuine wanting to fix -- I mean we're going on 60 days?

UNIDENTIFIED MALE: The speech won't stop the spill, it won't stop the pollution of the beaches. I think he gave it a good shot. He looked sincere for most of it.

CHRIS MATTHEWS, MSNBC HOST: I don't sense executive command. And I thought that was the purpose of the speech tonight. Command and control.

I'm calling the shots. My name is Barack Obama. I'm the boss, I'm telling people what to do. I didn't get that clarity.

UNIDENTIFIED MALE: I'd like to see a lot more action out of him. He's getting better at telling us what he's going to do and he still hasn't done anything yet.

GOV. BOBBY JINDAL (R), LOUISIANA: I would've liked the president to say failure is not an option. I would have liked the president to say that we're not currently winning this war because oil is getting in.

KEITH OLBERMANN, MSNBC HOST: Rachel?

RACHEL MADDOW, MSNBC HOST: Hi, Keith.

OLBERMANN: What did you think of the speech? OK, we're -- we're in full agreement, aren't we?

UNIDENTIFIED MALE: A lot of people out here -- good people. Good safety (INAUDIBLE). And it's devastating.

(END OF VIDEO CLIP)

HANNITY: And in a continued effort to correct his mistakes the president met with BP executives earlier today. It was his face-to-face meeting with BP CEO Tony Hayward since the spill began.

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Now the petroleum executives marched into the White House around 10:15 this morning and found that the president had cleared a whopping 20 minutes on his schedule for the group. He also put aside 25 more minutes to meet privately with the BP chairman.

Now he came out of these meeting with a firm grasp about who is to blame for the entire mess.

(BEGIN VIDEO CLIP)

BARACK OBAMA, PRESIDENT OF THE UNITED STATES: BP's liabilities for the spill are significant and they acknowledge that fact. We will continue to hold BP and all other responsible parties accountable.

And I'm absolutely confident BP will be able to meet its obligations to the Gulf Coast and to the American people.

BP is a strong and viable company. And it is in all of our interests that it remain so. So what this is about is accountability. At the end of the day that's what every American wants and expects.

(END OF VIDEO CLIP)

HANNITY: And I think Americans would like to hold the federal government accountable as well. And with this president in charge, however, that seems unlikely.

Joining me now with analysis of these unfolding events is former adviser to George W. Bush, FOX News contributor, author of "The New York Times" best- seller, "Courage and Consequence," the one and only Karl Rove.

Karl, welcome back.

KARL ROVE, FOX NEWS CONTRIBUTOR: Sean, thanks for having me.

HANNITY: You know you're in trouble when Mr. Thrill-up-your-leg, Chris Matthews, and left-wing radicals at NBC recognize that this was a bad speech and a bad night for the president.

ROVE: Yes, it was a bad speech. In fact, look, there were four elements to the speech last night. Four big topics he touched on. And in every one of these subject areas he misled, he omitted and he gave misdirection to the American people.

It was an extraordinary performance.

HANNITY: All right. Why don't we go through them one by one? Because you got them right there. And --

ROVE: Yes. Yes.

HANNITY: By the way, I love your high-tech graphics.

ROVE: Yes, well, we spent all afternoon putting this together.

(LAUGHTER)

HANNITY: Yes.

ROVE: Look. Look, first, he talked about stopping the leak. And -- this was the extraordinary one in the speech. I got the speech here. I've underlined it.

He said just after the rig sank I assembled a team of our nation's best scientists and engineers led by our Nobel Prize-winning Secretary of Energy Chu. And as a result of these efforts we've directed BP to mobilize additional equipment and technology.

Well, wait a minute, right after the rig, 57 days ago, and you gave your instructions to BP this week to mobilize additional equipment and technology? This week?

It took you 57 days to come up with that? I mean, wait a minute, what were you doing to stop the leak right at the beginning? Instead he pops up in the speech and says well, we assembled them right after. But they weren't able to come up with any useful ideas until this week.

HANNITY: Yes --

ROVE: And that's just emblematic of the speech.

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HANNITY: You know, the funny thing to me is if you look in the days coming out of this, I mean, you know, we now found out -- it wasn't just the Dutch offering us three days after the spill, the skimmers. We now know there are 13 countries that offered assistance and our government, in many of those cases in writing, turned them down.

Here's what -- here's what we saw out of the president, though, up until last night. I can't dive down there and plug the hole. I can't sip it up with a straw. You know, I want to know whose bleep to kick.

You know --

ROVE: Yes.

HANNITY: And I'm watching a president -- what's missing here? Where is leadership?

ROVE: You know you've touched on it. He talked about accountability in that clip you had just before. All those slow decisions, those botched decisions. Last night he said well, we've made a decision to build berm islands.

Well, it only took 16 days to give an answer to the state of Louisiana that said we want to build 140 miles of berm island, 24 different berm islands. They came back and took them -- 16 days to say you can have six, and we'll pay for one, you have to pay for the other five.

You know there are a whole bunch of botched decisions last night on the cleanup that you allude to, including the decision not to take full advantage of the four equipment that was available. And again, he didn't touch on last night. That was one of the omissions.

HANNITY: You know, one of the things that frustrates me is I think the biggest lie that he told last night when he said we only have 2 percent of the world's oil reserves, and that's the reason oil companies are drilling a mile beneath the surface. We're running out of places to drill in shallow water.

That's an -- we can drill at ANWR. We can drill off the coast of the --

ROVE: Yes.

HANNITY: -- Pacific and the Atlantic and -- you know, none of which is true.

ROVE: Yes.

HANNITY: I mean that was an outright falsehood.

ROVE: Well, look -- exactly. And remember that's in the cap and trade section down here. The final part of this -- the number four, took up a third of the speech.

Remember the one of the first things he did when he came into office was had his secretary of energy withdraw a series of leasing agreements on land outside the national parks where we could drill environmentally safe and withdrew those on land leases.

So, you know, this is just amazing. And look, one of my personal favorites. Down here in the restoration he said well, we're going to direct BP to have the \$20 billion fund and we got a restoration plan and former Governor Mabus of Mississippi is going to do. We got a national commission.

But then he talked about two things as part of the restoration which are counter productive. One of which is, we're going to have a six-month moratorium on offshore drilling which is going to mean that at the end of six months we're going to have a bunch of rigs which have gone to Brazil or Indonesia or deeper parts off of foreign shores and are not coming back to the United States.

And then he said well -- we've done something about the Minerals Management Service which is emblematic of the failure of the government. Well, wait a minute, you've been in office for a year and a half, you're in charge of that agency. If you thought it was such a disaster why didn't you clean it up when you came into office?

HANNITY: Yes, I don't get this. Let's forget about cleaning it up, plugging the hole or damn hole if you quote the president. We'll push -- we'll push, you know, cap and tax in the process.

Look, the president's approval ratings, and you study this as well -- as much as anybody I know. It's now 42 percent. He's headed into the 30s. We're 139 days, as of today, outside of an important midterm election. His party is not looking good heading into it right now.

What impact does all of this have on the November elections?

ROVE: Well, it has a very -- a very negative impact on the chances of the Democrats. But remember, public opinion is a very complex set of numbers put together. And while this is -- his approval rating is being dragged down by this. It's also being dragged down by jobs, the inability to create jobs, the lack of economic opportunity, the big debt, the out of control government spending. All the bad things that are popping up on Obamacare.

So it's not just one thing weighing him down. So not one thing will turn him around. In fact, what's interesting to me is less than the overall number which is now in the low 40s in Rasmussen and the aggregate number of composite number of everybody is in the mid 40s.

What's interesting to me is if you look inside those numbers the strongly opposed are easily outnumbered in most instances the strongly approves by 2-1, or better. Meaning in Rasmussen I think it was 44 percent in today's Rasmussen.

HANNITY: Yes.

ROVE: Strongly disapprove in the 20s for strongly approve. That's a bad place to be going into election year.

HANNITY: Well, and if there's any indication out of Massachusetts, Virginia and New Jersey and even the Pennsylvania 12th where the candidate sounded more conservative than me.

ROVE: Yes.

HANNITY: You know, I got to tell you, it's not looking good from the Democrat perspective. But we'll see. Look, I hope they can plug this hole. I hope that we get out there and we start cleaning up, you know, this oil spill or else we're going to have a lot of people out of work and it's going to impact our environment and our economy for decades to come if we're not careful.

But Karl Rove, I love your whiteboard.

ROVE: Thank you, man.

HANNITY: You are technologically savvy and advanced. Thanks for being with us.

ROVE: You bet. Thank you, Sean.

HANNITY: All right. We have plenty more HANNITY coming up straight ahead.

(BEGIN VIDEOTAPE)

OBAMA: I asked Ray Mabus, the secretary of the Navy, to develop a long-term Gulf Coast restoration plan as soon as possible.

HANNITY (voice-over): Is appointing another czar going to save the Gulf Coast from economic ruin?

OBAMA: We will make BP pay. BP will pay, pay, pay.

HANNITY: Primetime pressure causes BP to cave to the president. And you won't believe who's in charge of the \$20 billion fund. All of that, plus Michelle Malkin, Colonel Oliver North and Sandra Smith.

HANNITY continues, straight ahead.

(END VIDEOTAPE)

HANNITY: All right, this president sure knows how to pick them. The anointed one's nominee to be the number two at the Department of Justice thinks that 9/11 is similar to any other domestic crime.

In a 2002 article James Cole wrote, quote, "Our country has faced many forms of devastating crime including countless acts of rape, child abuse and murder. The acts of September 11th were horrible, but so are these other things."

I can hardly wait for this guy to get to the Department of Justice.

Back with Michelle Malkin in 90 short seconds.

HANNITY: All right, according to the anointed one, he's been on top of the oil spill recovery since day one. But he made an unexpected move during his Oval Office address last night. Fifty-seven days into this crisis he figured out just what we need down in the Gulf, another federal czar. So he appointed one.

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(BEGIN VIDEO CLIP)

OBAMA: Earlier I asked Ray Mabus, the secretary of the Navy, who's also a former governor of Mississippi and a son of the Gulf Coast, to develop a long-term Gulf Coast restoration plan as soon as possible.

(END OF VIDEO CLIP)

HANNITY: And joining me with reaction to the president's new plan for the Gulf Coast region is the author of "The New York Times" bestseller, "Culture of Corruption," Michelle Malkin is back with us.

All right, Michelle, big fan of your columns, your writing, your books. "Stuck on Stupid: Obama's Czar Fetish," by Michelle Malkin. Explain.

MICHELLE MALKIN, "THE CULTURE OF CORRUPTION" AUTHOR: Yes. You know, I know there are people all across this country who, when they heard this idea of yet another czar went another one? Are you kidding me? Is he crazy?

Well, he definitely has some sort of condition. I do think it is a fetish. And this is his default disaster management plan. When in crisis, when in disaster, throw another unelected appointed bureaucrat out there to garner another headline and make it look like he's doing something.

HANNITY: Yes.

MALKIN: Sean, a reader of mine sent me a famous quote of the late coach John Good and that said never mistake activity for achievement. And I think this White House ought to take that advice because they are mistaking activity and sending out another czar and piling on another commission for some sort of achievement and for some sort of gain here. They are not.

HANNITY: Yes. Yes, look, I said this, and I got a lot of criticism for it, because the president is almost acting immature. A petulant child lashing out, cursing, blaming.

You know -- but what I got out of last night besides I think probably the worst Oval Office address in history or at least in close competition to Carter's malaise speech, it seems to me the Obama so-called magic is gone, the rhetoric is old and stale. The rhetorical tricks are somewhat old and boring and tiresome. You know people aren't fainting any more, Michelle.

MALKIN: Yes. I think you're being rather generous. And I do agree that I think petulance may be a part of it. But I think even underlying that, there is fear and there is panic in this White House. And I think that the czar fetish is a sign and manifestation of that.

They do not know what executive leadership is so they have to outsource it. You know they got to grab some -- you know, some other political operative that they drag out from the morgue or in the case of the oil spill czar that has now been tasked to restore the entire Gulf somebody whose already got a full job on his hands.

Shouldn't the secretary of the Navy concentrate on the Navy, for goodness sakes?

HANNITY: Yes -- no, I think that's a good point. Look, I don't think being an executive or a manager, although some people are good at it and some people obviously are not. I think his lack of experience now is showing through.

For example, if I were president, and which would never happen. But if I was, I would think that at least by day seven -- and we had somebody in the focus group last night saying, you know, if he gave the speech on day two, three, four, five, you know what? It probably would have been appropriate.

But when we find out he rejected the help -- the offer of help from 13 countries, all the president it seems to me needed to do, Michelle, is get the smartest people in the oil industry, the smartest people with the most advanced technology together by day 10, realizing how bad this was, and organize relief effort and use every resource available and really go down there and put our attention on it.

He didn't do that. Why? I can't figure out why.

MALKIN: Well, I think there are a number of reasons, and one is, they did not understand the gravity and severity of that. And if you go back and look at those early briefings of Robert Gibbs in the aftermath, you know, that they were dismissing it and pooh-poohing it.

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At the same time, we did see a strong demonstration of executive leadership from someone who understood the gravity of the problem.

HANNITY: Jindal.

MALKIN: And that's right. The governor of Louisiana who has refrained from doing what this administration has done which is completely politicize the matter because he's putting the safety and the health and the welfare and the environment of his state first, not politics, not policy, not ideological advantage, which was completely transparent from the Oval Office address last night.

HANNITY: Yes. As this oil, though, makes it onshore and people see the real impact of this, and more interviews with fishermen and hotel owners, and restaurant owners, and they see their beaches polluted, I got to imagine that this is going to become a bigger problem day by day as people now begin to discover that this government sat on its hands for the better part of 57 days in spite of claims to the contrary.

MALKIN: Yes. That's right. And I think one of the things that I thought was distinctive about the speech last night is, this is a man who had sold himself as somebody who understood and was in touch with the people.

And yet, he addressed the shrimpers and the residents of Louisiana and everyone else in the Gulf who's been affected by this with a really curious and cold detachment -- a detachment that has the left up in arms.

I mean, I think it was Maureen Dowd of "The New York Times" who described the speech as bloodless. And the fact is, it's not just the speech. It's not just the presentation. It's the lack of substance. And as you say, lack of experience that is showing very glaringly here, Sean.

HANNITY: All right. Last quick question. Only have a few seconds. What is the political fallout in your view?

MALKIN: I think we'll see it in 2010.

HANNITY: All right. Michelle, thanks for being with us. We have a lot more HANNITY coming up, straight ahead.

(BEGIN VIDEOTAPE)

CHARLES DJOU (R), HAWAII CONGRESSMAN: We just give you a knife and ask you to commit hara-kiri.

HANNITY: Outrage on Capitol Hill after a congressman suggests a top BP executive should commit suicide.

Shocking revelations about who these North Korean soccer fans really are.

Plus the man who exposed Barack Obama's connections to Reverend Jeremy Wright is back with a controversial new book.

Much more HANNITY, straight ahead.

(END VIDEOTAPE)

(BEGIN VIDEO CLIP)

OBAMA: Tomorrow I will meet with the chairman of BP and inform him that he is to set aside whatever resources are required to compensate the workers and business owners who have been harmed as a result of this company's recklessness.

(END OF VIDEO CLIP)

HANNITY: All right. If we've learned anything over the last year and a half of Barack Obama's presidency he has no problem extending the arm of the federal government into the private sector. And he did it again last night on primetime television when he ordered BP to set up an account to pay for damages sustained as a result of the oil spill.

Well, after meeting what BP execs earlier today, well, guess what? The anointed one had this to say.

(BEGIN VIDEO CLIP)

OBAMA: I'm pleased to announce that BP has agreed to set aside \$20 billion to pay claims for damages resulting from this spill. This \$20 billion will provide substantial assurance that the claims people and businesses have will be honored. It's also important to emphasize this is not a cap.

(END OF VIDEO CLIP)

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HANNITY: All right, now, in addition BP will have absolutely no control over this \$20 billion account. Instead, Obama appointee, best known as a pay czar, will be responsible for dishing out the money. His name is Ken Feinberg. And he is the guy who regulates executive compensation with Wall Street and also distributed funds to the victims of the 9/11 attack.

So is the federal government overreaching here or is this the appropriate route to take?

Joining me now with the very latest on the oil spill disaster, the host of "WAR STORIES" right here on the FOX News Channel, Colonel Oliver North. From the FOX Business Network, the one and only Sandra Smith.

You said something we came out, they don't have \$20 billion?

SANDRA SMITH, FOX BUSINESS NETWORK: There's not \$20 billion to BP's name right now, Sean. The latest quarterly report from the company showed it had about \$7 billion on the balance sheet. That's about \$13 billion short of what we're talking about. Just throwing this money to the victims here.

HANNITY: So they're going to sell off assets? How do they get there?

SMITH: The only they could do is sell stocks, sell bonds, but there's no money for the bonds right now and nobody wants them.

HANNITY: Stocks are in the tubes.

SMITH: Stocks have been dropping like a rock.

HANNITY: Yes.

SMITH: So really where are they going to get this money from? There is word that it could pay it off over time. But they don't have this money right now.

HANNITY: Well, there's only one place left.

OLIVER NORTH, "WAR STORIES" HOST: The American taxpayers.

HANNITY: The American taxpayers. You said this before we came on.

NORTH: This is a \$20 billion slush fund. That's to start it out. Second of all, we've had Eric Holder remind the American people, as recently as just five days ago, they are not going to pay one dime for this.

I'll give you a prediction. Twenty-five years from now there will still be cases being adjudicated from all of this, in large part because, one, there's nobody in charge. Number two, the federal government, having promised to do all this is going to have penitence coming to them literally for the rest of my lifetime.

HANNITY: Yes.

NORTH: Asking them to pay up. Some of them, by the way, are going to be National Guardsmen who get sick or injured on this. And those claims are going to be paid by, guess what, the American people.

HANNITY: You know, I was looking at the "Drudge Report" prior to coming down here. BP chairman says company cares about the, quote, "small people." Well, first of all, it was also -- he's talking about Obama saying that, which -- wasn't picked up apparently.

NORTH: Well, look, the reality of this is, it is a terrible event. There's no doubt about it. The way this administration has mishandled it and the way that president has gone on television and lied repeated about what he is doing and what he's not doing.

I'll give you a perfect example. The Jones Act, which is what prevents foreign ships from trading from one port to another inside the United States. Foreign ship can come to the United States and leave with passengers or equipment or supplies on it, transport. But it can't go from port to port.

The Jones act was wavered by George W. Bush --

HANNITY: In 1920s. This was passed. OK.

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NORTH: Yes. And it's -- basically it's a pro-union piece of legislation to protect America's maritime unions. But it's still on the books. George W. Bush waived the Jones Act for Katrina so that other nations could send help and so foreign ships, for example, were used to billet American workers in New Orleans.

HANNITY: Yes.

NORTH: Here's the problem. This administration has yet to waive the Jones Act.

SMITH: Has not been --

NORTH: As you've got hundreds of skimmer ships all over the world that aren't working and solving their problem.

HANNITY: I don't want to sound like a broken record, but the fact that we could have taken 20,000 tons of sludge out of the Gulf a day, just taking the skimmers that were offered by the Dutch, that we, in writing, refused to help.

NORTH: Not to mention the ones that are in Persian Gulf.

HANNITY: Thirteen countries.

(CROSSTALK)

NORTH: The Saudis, there's literally hundreds of these vessels.

HANNITY: Yes.

SMITH: We definitely go back to the problem at hand, Sean. We're talking about the government once again stepping in to the private sector when they've already done that a couple of times to cause the problem here.

BP only wanted to drill 500 feet below the surface. They're 5,000 feet below because of the administration or because the government said that that's what they had to do.

Bobby Jindal wanted to protect the marches a week after this disaster occurred.

HANNITY: And build the barrier.

SMITH: The feds said no. They've already aided in making this disaster worse than it originally was.

HANNITY: What happens if we bankrupt? I mean, you're saying they only have \$7 billion --

SMITH: \$7 billion in cash.

HANNITY: All right. So we bankrupt BP -- and the president say --

SMITH: That's only a (INAUDIBLE).

HANNITY: \$20 billion, he's almost saying \$20 billion is a down payment. I mean --

SMITH: There's no cap.

NORTH: And as you know, Sandra, there's precedence for that. The Bhopal Disaster resulted in the bankruptcy of an American company that couldn't pay the claims against it. And it went bankrupt. That's -- I'm not saying that's the way out that BP is going to take, but somebody in that board of directors is going to look at that as a solution.

HANNITY: He's going to suggest it. At some point they're really going to have no choice financially if -- you know, it's interesting because the president has accumulated more debt, created bigger deficits than any president in history.

And so I guess maybe he thinks BP can print the money. Because at some point there's going to be a limit to what BP can pay.

SMITH: Well, the good part is that they did eastern \$17 billion last year. This is a company that still has assets to its name. It's still earning money.

HANNITY: If they can drill. If they can keep doing business.

NORTH: And he didn't lift his six-month moratorium on drilling in the Gulf.

HANNITY: Which is a bad, bad idea.

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NORTH: And you've got 17,000 National Guards. But compared that by the by to the Paltry 1200, allocated to protect America's borders.

SMITH: They did -- they did suspend their dividends today so that's going to help shore up some of the money to pay off all the costs that are involved here. But at the end of the day we need to route for BP. We need BP (INAUDIBLE) the taxpayer real foot the bill if BP goes down or BP goes into bankruptcy.

(CROSSTALK)

HANNITY: Listen, you're in the military. You know, when did you ever see a leader act like this?

NORTH: This is what --

HANNITY: Plug the damn hole. I can't suck it up with a straw. What, do you want me to dive down there and fix it? I want to kick some --

NORTH: That's why 17,000 young National Guardsmen --

HANNITY: Yes.

NORTH: -- men and women who would otherwise be maybe employed somewhere else are going to be standing out there with vacuum cleaners on the beach.

HANNITY: All right, I'm going to get to see you in our freedom concerts that's coming up --

NORTH: You and I are spending -- by the way, this is a great Father's Day gift go to Hannity.com and join Sean and me all over America during the freedom concert.

HANNITY: With Lynyrd Skynyrd, Charlie Daniels, and Michael Levin, you're going to sing with me and Charlie this year?

NORTH: The devil came down to Georgia.

HANNITY: But he was looking for?

NORTH: Charlie -- Charlie and I are going to go through the words.

HANNITY: A goal to steal the turtles. All right, so you're going to sing this year?

NORTH: I'll hum.

HANNITY: All right, well, anyway it's on Hannity.com and you're going to come to the New Jersey concert.

SMITH: I'm in.

HANNITY: All right, she's in.

And thanks guys for being with us.

And let not your heart be troubled.

When we come back our great, great, "Great American Panel" is next.

HANNITY: North Korea is known for being a reclusive regime and at the World Cup the country is living up to its reputation. ESPN, Newsweek and other sources are reporting that the North Korean fans at yesterday's soccer match were actually actors from China.

Now, these phony fans arrived after dictator Kim Jong-Il banned any North Korean nationals from traveling to South Africa for full financial and political reasons. Well, that's one thing about America; we'll never outsource our great fans. I can't believe it.

We're back in 90 seconds.

HANNITY: And tonight on our great, "Great American Panel" she is the chief executive officer of Concerned Women for America, Penny Nance is here. He worked at the "Washington Post" serving as an editorial writer, op-ed columnist, White House correspondent, Fox's contributor, the one and only Juan Williams is back. She is an actress, Grammy award winning, Christian singer the one and only, Rebecca St. James is here.

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Guys, it's good to see you, thanks for being here.

JUAN WILLIAMS, FOX NEWS CONTRIBUTOR: Thank you.

PENNY NANCE, CONCERNED WOMEN FOR AMERICA: Thank you.

REBECCA ST. JAMES, SINGER/ACTRESS: Thank you.

HANNITY: All right. I don't know, I know it is popular to demonize big business, right? The President does it, trashing BP, ok.

We have a Republican, Louisiana Congressman Joseph Cao suggesting this.

(BEGIN VIDEO CLIP)

REP. JOSEPH CAO (R), LOUISIANA: The oil disaster has cost great economic impact to my district; hundreds of businesses have closed and thousands out of work. Mr. Stearns asked Mr. McKay to resign. Well, in the Asian culture we do things differently. During the Samurai days we just give you a knife and ask you to commit hara-kiri.

(END VIDEO CLIP)

HANNITY: He looked -- he looked a little freaked out, by that.

ST. JAMES: Yes, I am freaked out by --

WILLIAMS: Yes.

ST. JAMES: -- I mean, he's pretty much saying go commit suicide.

WILLIAMS: Yes.

ST. JAMES: And I think it was probably a slip of the tongue to show - -

HANNITY: That wasn't a slip of the tongue; that was a long analysis about --

NANCE: Yes.

ST. JAMES: But there's -- there's power in the tongue, you know. Proverbs 18 -- the power of life and death in the tongue and I just, I think he maybe needs a little reminder of that.

HANNITY: Yes.

WILLIAMS: And Charles Grassley the Senator from Iowa he said the AIG people should go out and kill themselves about a year ago.

HANNITY: What is up with this? I mean, you know, listen, if -- I will say this, and there's a lot of BP criticism to go around. Plenty -- well-deserved, they are stepping up, \$20 billion, they are going to try and pay off, everybody who's being by this. They are trying to plug the hole, the damn hole, excuse me, President Obama's words.

But -- but the reality is here at this point it seems that we ought to be all hands-on deck. And telling people to commit suicide and getting lectures from the President and a cursing petulant child in the White House it just doesn't seem appropriate to me.

NANCE: Yes, I looked up his voting record because I thought that was so harsh. He has a 100 percent pro-life voting record. So I know he values life. I don't know why he chose to use those words. And it's not funny.

I thought maybe he was joking but when I actually saw the clip he didn't seem to be laughing when he was saying it. It's not funny.

And there's about 34,000 suicides in this country each year, one every 15 minutes. And even members of that committee he serves on have children who committed suicide. So it was in very poor play.

WILLIAMS: Well, there's nothing -- there's nothing funny about the damage BP has done to his Congressional district and he's saying in Asian cultures people do go out and commit hara-kiri when they do something that's shameful. And what BP has done here is shameful.

That's not demonizing them, that's holding them accountable, which I see you don't like to do. You never oh, you know what, BP did something wrong here.

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HANNITY: BP did something wrong here.

WILLIAMS: Oh, we're glad -- I'm glad to hear that from you.

HANNITY: And you know what? And the government did something really wrong too.

WILLIAMS: What was that?

HANNITY: The government has a responsibility to look at the Clean Water Act, it's federal waters, they have a responsibility to react when they have a natural disaster. They should have accepted the help that was offered by 13 countries for skimmers and booms and barriers.

And you know what? Obama was too incompetent.

WILLIAMS: You know sometimes --

HANNITY: He was totally incompetent here.

WILLIAMS: You know, you are always on Obama. Let me just tell you something.

HANNITY: He deserves it.

WILLIAMS: -- even on the Jones Act. I hear you and Ollie talking about just like, oh we'll just give them what they want on the Jones Act. Nobody asked for a waiver of the Jones Act.

HANNITY: Excuse me, let me tell you. Bobby Jindal was down in Louisiana screaming give us the booms, give us the skimmers, let us build the barriers --

WILLIAMS: No, a lot of the times, you just -- you just changed the subject. Of course he's asking, he should have and Bobby Jindal has been aggressive and saying we've got to stop.

HANNITY: Oh come on and so Obama is too stupid to figure this out for himself? He can't see the pictures of this oil coming out?

WILLIAMS: You know what? You can't -- because BP is lying to him and how about that.

HANNITY: Oh BP is lying to him.

WILLIAMS: Every day we get a different estimate.

HANNITY: He doesn't watch television and see the oil spewing of billions of barrels of oil.

WILLIAMS: Every day we get a different estimate from BP as to how much oil is leaking.

HANNITY: People -- Obama and let me go and light a candle and bow at the altar of the anointed one who sat on his hands cursing like a little baby instead of leading here.

WILLIAMS: He should have taken control more quickly. He should not have put faith in big business while you are standing there, and say oh, don't demonize BP.

HANNITY: You are really getting me mad.

ST. JAMES: No, he should have acted a couple months ago I mean, this speech and I've heard other people say this speech should have happened a couple months ago.

(CROSSTALK)

HANNITY: Yes, it should have happened on day five.

ST. JAMES: -- when the oil was starting to blow up, exactly.

HANNITY: The speech would have worked if it was day five.

WILLIAMS: If he hadn't trusted them.

NANCE: And he should have sat down earlier with the BP executives. And it makes us all feel better to see them do the perp walk up to the White House.

HANNITY: Oh exactly.

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NANCE: And on and on and on. But the bottom line is that did not one thing to stop the gushing of maybe 60,000 barrels of oil that are coming out every single day. It did nothing to stop that.

(CROSSTALK)

WILLIAMS: But -- let me ask you something, what could a Republican, Democrat, independent, any president do to stop the oil?

HANNITY: Well, excuse me, wait a minute we could stop it from getting ashore.

WILLIAMS: Well, that's oh, that's a different issue.

HANNITY: Booms, barriers and skimmers. And he just rejected the help of everybody --

WILLIAMS: And what is being done now?

ST. JAMES: Finally.

HANNITY: Sixty days Juan, I mean, the fishing industry destroyed, tourism is destroyed, beaches are being destroyed.

WILLIAMS: Why? Because BP told --

HANNITY: Because we have an incompetent president that only knows how to read a tele-prompter --

WILLIAMS: I know you don't like Obama but let's be straight about this, if BP has said this is the amount of oil that's escaping and this -- we don't know how to deal with it and we were reckless in constructing this thing. That -- I think you would have gotten a different response out of the government.

HANNITY: I do not know why I consider you a friend but I do. And I've got to check in with Greta before I burst a blood vessel. And Greta what's coming up tonight?

GRETA VAN SUSTEREN, FOX NEWS ANCHOR: First of all Sean, to the viewers, that's real all of you who saw it last night, that that's not real, it is real. And we have a great show tonight we are live in Arizona.

We have the Governor of Arizona joining us. Just two weeks ago she met with President Obama at the White House. He promised some things that we're going to happen in two weeks. Did they happen? Well, tune in --

HANNITY: Do me a favor -- Greta, that cactus behind you right?

VAN SUSTEREN: Cactus?

HANNITY: Bring it back the next time Juan is here I'm going to stick it right in his chair.

WILLIAMS: Hey. Oh my gracious --

HANNITY: Wait a minute. I'm not like Congressman Cao that wasn't that bad.

VAN SUSTEREN: By the way -- by the way Sean I have probably 200 pictures of all a bunch cactus they all look the same but I took them all.

HANNITY: Yes, just -- just take one little snap of a tree I'll stick it right on Juan's seat when he gets back.

Greta is coming up in 19 short minutes from now. We have more with our great, great, "Great American Panel," right after the break.

HANNITY: And we continue more with our great, "Great American Panel." I was going to let the oil issue go but I so hate Juan Williams right now. But just for this moment.

WILLIAMS: Keep going -- your blood is boiling.

HANNITY: Well, yours will be too when that cactus gets in the studio next time.

WILLIAMS: Let me just tell you. You go after Obama night after night after night. Do I come in here and say Sean you make my ears go nuts?

ST. JAMES: Hey, guys I have a solution.

HANNITY: What's that?

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ST. JAMES: I think the boys have had their try down with the oil crisis and everything. We women, we know how to get the job done. We know how to multi-task. We know a woman who is very familiar to Fox that has actual experience with oil.

Sarah Palin, where are you? What do you think honey?

HANNITY: Listen, let me tell you.

ST. JAMES: What do you thing Penny? Sarah Palin needs to get involved, go bring us home.

HANNITY: We'll put this up Pen, just to annoy Juan.

Louisiana voters think President George W. Bush did a better job handling the aftermath of hurricane Katrina than President Obama has done in the wake of the BP oil spill.

ST. JAMES: Oh.

NANCE: Oh.

HANNITY: Now, but look at the numbers 50-35 and it's only going to get worse as time goes on as this oil hits shore.

ST. JAMES: That's right.

NANCE: You know who I think is going to be the absolute hero when this is all said and done? It's going to be Bobby Jindal.

HANNITY: Yes I agree with you.

NANCE: He has led with determination. He has really showed himself to be absolutely a rock star.

WILLIAMS: He's a rock star.

HANNITY: And he's a leader.

NANCE: He's not -- he's not playing for the cameras. He's trying to do his job. And he's down there by the way, very upset about the fact that there's a six month moratorium on drilling. He has said that they will lose 20,000 extra jobs due to that --

HANNITY: They will.

NANCE: -- so I -- I appreciate the fact that he's out front on this and working hard to try to protect --

WILLIAMS: Let me just say in that poll is the most hellacious poll you've ever put up. Because that's just -- let me just tell you something -

HANNITY: Louisiana voters -

WILLIAMS: -- 60 percent in '08, 60 percent of Louisianans voted for John McCain. So it's a Republican state and all they are doing is reflecting what they hear from Sean Hannity, Obama is a bum, Obama is the devil, Obama is a bad man.

HANNITY: Hold on, 139 days -- 139 days from now you know what?

WILLIAMS: What?

HANNITY: You are going to say Hannity, you were right that poll was right. Because the Democrats are going to pay a big price for his incompetence on the economy, on national security and his dithering and absolute incompetence and petulant child acting in this case in the Gulf.

ST. JAMES: No, I think one of the best things that happened today was that BP apologized. And I think President Obama could possibly learn from that. There's power the apology and saying --

HANNITY: It's too late, he's too arrogant and he is too prideful. He is so quick to point, he can't take any criticism Juan.

WILLIAMS: You know, what's interesting about this, at the top of your show you had it right because you saw all those people on the left going nuts and angry Obama.

HANNITY: It's about time.

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WILLIAMS: You know why? They think he should be tougher on BP.

HANNITY: No, that's not right.

WILLIAMS: They think he shouldn't have any drilling as part of his energy policy.

HANNITY: They saw that speech as lame and too little too late and too political.

NANCE: If I were a Congressman or someone running for Congress right now after that speech I would have been running as far away from him as possible. His numbers are even slipping among American women.

HANNITY: All right, good to see you everybody but Juan. I'm teasing.

NANCE: It's good to see you Sean.

WILLIAMS: I know.

HANNITY: All right, coming up, he is the man who exposed Barack Obama's connection to Jeremiah Wright. When we come back controversial author, columnist our friend Erik Rush is here, that is coming up next. Straight ahead.

HANNITY: He was the first to call attention to Barack Obama's relationship with his long-time spiritual adviser "GD America" Reverend Jeremiah Wright.

And now Erik Rush has written a new book that analyzes America's attitude towards race, it's called "Negrophilia from Slave Block to Pedestal: America's Racial Obsession." Last night I sat down with Erik, also a columnist by the way for WorldNetDaily.com.

(BEGIN VIDEOTAPE)

HANNITY: Do you know with this book, you're about to --

ERIK RUSH, "NEGROPHILIA" AUTHOR: Yes.

HANNITY: You know?

RUSH: Yes, into the fire.

HANNITY: Into the fire.

RUSH: Into the fire.

HANNITY: Why then would you write such a provocative, hard-hitting book knowing the result? What was the motivation?

RUSH: I think it's really more direct than provocative. But the motivation is sort -- it's many fold. But one of them is I would like to get people to start exercising the freedom that they have but are not exercising to speak honestly about race.

HANNITY: A lot of people give me credit for -- you broke the Jeremiah Wright story, in all fairness, you did, you brought it to my attention.

RUSH: Yes.

HANNITY: I interviewed you in March of '07 the next night, if probably I'm not mistaken.

RUSH: Yes.

HANNITY: I interviewed Reverend Wright, the last interview he did in the campaign.

RUSH: Yes.

HANNITY: As a result of your hard work and your diligence and your background. What was the reaction when you wrote that story? And you -- and you said the question the black value system replaced the word black with white and you said what would the reaction be? That was your provocative question which I asked, I used your question to Jeremiah Wright.

RUSH: Well, yes.

HANNITY: Yes.

RUSH: Well, if it were, if it had been the shoe on the other foot with a white candidate people would have gone nuts. They would -- his candidacy would have been over, no doubt about it.

HANNITY: That's the question I was trying to get at.

RUSH: Why?

HANNITY: And that's -- I guess the premise of this book is what you're saying is that we can't have an honest discussion on race and you want us to.

RUSH: Yes. The people who are driving the agenda and that's the problem, it's been the hard left that's been driving the agenda and they've really been shepherding blacks in a lot of different ways, socially, economically, spiritually and it's really just been a disaster for them. And white folks in terms of thought.

And it's not that we don't have the ability to have that honest, elusive dialogue; it's that I don't think the people who are driving the agenda want us to.

HANNITY: You -- you actually talk about Jeremiah Wright and Jesse Jackson and you used the term poverty pimps.

RUSH: Yes.

HANNITY: And you actually define this name in your book "Negrophilia."

RUSH: Yes.

HANNITY: Explain.

RUSH: The term poverty pimps?

HANNITY: That and the title of the book.

RUSH: Oh well, "Negrophilia" is basically this inordinate affinity for and deference to black folks while demonizing whites at the same time with the sort of umbrella overview that America is still an institutionally racist nation.

You know, when I see black activist types on the news show programs and so forth getting equal time or what have you, they always seem to take it as a given that America is an institutionally racist nation.

HANNITY: But then we both know that there are racists in this society?

RUSH: Certainly, I've dealt with lots of them.

HANNITY: All right, and the people that call you names oftentimes are racist.

RUSH: Yes.

HANNITY: It's very interesting to me, because you came up with a very provocative thing that you want people to take away from this book.

RUSH: Yes.

HANNITY: And that is, as far as race relations, racial politics go, if you take anything away from this book, you say for all practical purposes there are no racists any more in America. There are freedom fighters and are those who would enslave all of us regardless of race and you say it is time to choose a side.

RUSH: Absolutely.

HANNITY: Isn't that a little like what Martin Luther King said, judge people not by the color of their skin by the content of their character?

RUSH: I -- yes, I definitely think so. Because in -- you know, what's happened with the black community is really sort of a test tube of what the hard left is trying to do now to the entire country in terms of dependency, entitlements, hopelessness, the government control.

And people are starting to see that, because of the greater things that are happening, particularly with this administration.

HANNITY: But you believe the left is more racist than the right which is a caricature that the left uses especially in re-election cycle, hands down, why?

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RUSH: Hands down, because their entire demeanor, their modus operandi is condescending, blacks can't do for themselves, we have to do it for them. When you see the interactions and I've included some of them in my book one of the ones that made the news was the Harry Alfred - Barbara Boxer thing where she said well, the NAACP is going along with this and you probably should too. And -- and he took exception to that, as well he should have.

That's the kind of lock-step. We -- we progressives have done so much for you guys you really ought to just --

HANNITY: Yes.

RUSH: -- go with the flow.

HANNITY: I could talk to you all night. But it bothers me -- I would like to see the conservative movement, the Republican Party get a larger percentage when you break down demographics at elections of the African- American vote, do you see that coming?

RUSH: I see it coming for a few different reasons, one is the alternative media. Another is the Internet. People are starting to get more curious. And I do see a lot more just folks getting into political races. And I've been to Tea Parties with black folks there.

And they -- they don't -- I mean, they are not tokens. They are just -- they're all -- we're all Americans in those things.

HANNITY: Yes.

RUSH: You know, the people who cut that down don't have a clue.

HANNITY: If we -- if we would just live by this credo --

RUSH: Yes.

HANNITY: -- that we are all Americans and that we're in this together and that we sink or swim together, the country would be a lot better off.

RUSH: Yes.

HANNITY: But and I hope that dream comes true.

Erik I know you're going to be under fire. I'll be watching in the days to come.

RUSH: Ok.

HANNITY: A very thought-provoking book. Thanks for being with us.

RUSH: Thank you very much.

(END VIDEOTAPE)

HANNITY: And that is all the time we have left this evening. As always thank you for being with us. And let not your heart be troubled.

The news continues, Greta is up next, she's standing by to go live "ON THE RECORD." Greta, and we'll see you tomorrow night.

**LOAD-DATE:** June 17, 2010

**LANGUAGE:** ENGLISH

**TRANSCRIPT:** 061601cb.253

**DOCUMENT-TYPE:** SHOW

**PUBLICATION-TYPE:** Transcript



913 of 1000 DOCUMENTS

Fox News Network

**June** 24, 2010 Thursday

**SHOW:** FOX HANNITY 9:00 PM EST

## **Interview With Michele Bachmann**

**BYLINE:** Sean Hannity

**GUESTS:** Michele Bachmann

**SECTION:** NEWS; Domestic

**LENGTH:** 1605 words

SEAN HANNITY, HOST: All right, tonight, change has come full circle for President Obama. The anointed one may have rejoiced over President Bush's less than stellar poll numbers. But it looks as if public opinion has now turned on Obama.

A shocking new "Wall Street Journal" poll indicates that a whopping 62 percent of Americans believe the country is on the wrong track. Just 29 percent believe we are headed in the right direction.

Now the poll also reveals that Americans are so fed up with this Democratic Congress that 57 percent are prepared to vote against incumbents. Just 35 percent indicated they would back such candidates.

And the anointed one, well, he's not faring much better than Congress, 48 percent of those polled disapprove of his job performance. That's 3 percent more than those who approve. Even 17 percent of Democrats say they disapprove of his performance.

Not exactly a vote of confidence.

Now the anointed one isn't getting high marks for his handling of the **Gulf oil spill** either. A whopping 50 percent disapprove of the way he has handled that disaster. And with good reason.

And joining me now with reaction to the president's disastrous poll numbers is Minnesota congresswoman, Michele Bachmann is back on the program.

Congresswoman, welcome back.

MICHELE BACHMANN (R), MINNESOTA CONGRESSWOMAN: Thank you, Sean. Always a pleasure.

HANNITY: All right, well, look at these numbers. Job performance. Now those that disapprove, you know what, higher number for Obama. 59 percent are only somewhat confident he set the right goals for the country, 30 percent of people say, they don't relate to Obama. And that was only 8 percent at the beginning of the presidency.

And here's the one that got to me. Fewer than half of those polled give him high marks or positive marks when asked, did they think the president is honest and straightforward.

How do you interpret all this?

BACHMANN: Well, I interpret it as a big five alarm fire for the president right now because not only are his approval ratings going down, but this also, we're down negatively that Speaker Pelosi, her incumbents, and also to Harry Reid and his Democratic incumbents.

This is not good news for the far left. But it's indicative of how great the American people are. Because it says the American people want their country back. They want to go back to prosperity, they want to go back to peace through strength. And they're seeing that the policies of Obama are failures and they aren't taking the United States in the right direction.

HANNITY: All right, these numbers are actually even higher than 1994 when you have 57 percent --

BACHMANN: That's right.

HANNITY: -- would rather elect a new member of Congress than reelect their local representative. Can we really infer -- what are, 131 days now out of the midterm election. Can we interpret that to mean that the Democrats really are in for massive losses?

BACHMANN: Well, it doesn't look good for them. There's no question. It's possible to turn things around but right now when you have even 1 in 4 Democrats saying that the president is mishandling the BP oil spill? The president is in real trouble. Because he's also in trouble with his base.

He's not only lost Republicans. Republicans have gelled together in support of their candidates but he's lost the center, Sean. He's lost the independents. And now he's busy losing his base.

As high as President Obama rose initially, we're seeing him descend almost as quickly. And it isn't that I think conservatives are rejoicing about this because, quite honestly, we all want to see the country work. We want to see jobs created.

But when the president said give me a trillion dollars and I'll create four million jobs, and instead he lost four million jobs, it wasn't just the jobs he lost, Sean, he lost the confidence of investors of small business men and women.

He lost the confidence of the worker on the line because the -- what the president has promised, he hasn't been able to deliver.

HANNITY: Look, I think we're watching here a presidency in collapse. I really do. And I -- we really haven't seen this in our lifetime here. It reminds me a lot of what happened to Jimmy Carter here. Almost every key indicator shows support for the president is cracking.

The two examples that really, though, stand out in my mind. Just this week Nancy Pelosi sent out a D.C. letter. And in it, she says in this -- it's a fundraising letter that she wants supporters to give contributions to help prevent subpoenas and investigations that would result in a GOP majority.

And when Harry Reid's son drops his last name from his Web site in a campaign ad, it seems to me they are indicating that they think they expect a bloodbath.

BACHMANN: I think they do. Their pollsters have taken a lot of polls recently. And those numbers are very well-known in Washington, D.C.. And those numbers say that Speaker Pelosi in all likelihood will lose her gavel in November if things continue the way they are.

That doesn't mean that Republicans can just sit back and count the majority. They need to work very hard going forward. They need to get their message out appropriately to people and the country.

And the same with Harry Reid. His numbers don't look good in Nevada. But again, the Democrats have had a financial advantage. So it's very important that Republicans raise their money, gather volunteers together. No one should take this election for granted.

Just think what a difference one vote makes. In Minnesota we provided the 60th in the Senate that gave us government takeover of health care. Every vote and every seat matters. We have to work hard so that we can take our country back.

HANNITY: You know, here's what I don't understand. You would think -- I know the president is going out there with a propaganda campaign in the summer trying to claim that, you know, this is their great economic recovery.

The American people aren't seeing that. We're not seeing it in the unemployment numbers. We're not seeing it in housing. Every indicator is that we may actually be headed for a double dip.

And then we've got the issue of the oil spill. I mean there was a report out today that eight miles of, quote, "sticky goo" staining the beaches of Pensacola and the panhandle. And still they don't seem to have a handle on how severe this crisis is.

What do you think is going on in the White House? They ran such a good campaign, frankly I'm surprised they don't get this.

BACHMANN: Well, that's right. And we don't get an indication that they fully appreciate the breath of how the floor has dropped out from underneath them. I was in Pensacola not that long ago and it -- they are the most pristine beautiful beaches. And it's so tragic when you marine life covered in -- and wildlife covered in the oil and the sludge and realized the devastating impact that all of this has.

And then when you see that the White House pulled back on dredging, from some of these beautiful beaches, people aren't seeing competence. And again, that's what President Obama said he was going to be.

He mocked the former president's reaction in the Katrina issue. But the president now -- President Obama is not demonstrating competence to the American people in his handling, not only of this disaster but he's been given a long time to deal with the economy. And he's not been able to turn it around with runaway spending and runaway deficit.

HANNITY: In my mind this is all predictable. You know what? Carter economic, socialism has never worked. Pre-market enterprise works.

BACHMANN: It never works.

HANNITY: It never works. Here's my last question. Your reaction to General McChrystal. I think what was -- they humiliated him, they excoriated him. I don't think anything rose to the level of being fired. I wanted to get your reaction.

BACHMANN: Well, I think it's clear he did a service to the country. And now General Petraeus has to step in. We all want to make sure that the terrorists are defeated and that al Qaeda does not gain a foothold in Afghanistan.

HANNITY: Was it a mistake to fire?

BACHMANN: To fire McChrystal? I guess we'll see. You know. It remains to be seen. Right now we focus going forward.

HANNITY: Let me ask you -- I'm going to push you a little bit on this. Was it a mistake to fire him for this so-called reason? Or do you think that was the right decision?

BACHMANN: Well, it's politics. But really the main issue now is making sure that we prevail and go forward. It's -- there's politics that are involved. And I think that's not what we want to determine our policies.

HANNITY: All right, Congresswoman, appreciate as always, your being with us. Thank you very much.

And there's plenty more HANNITY straight ahead.

(BEGIN VIDEOTAPE)

HANNITY: He pulled off a stunning upset, now he will become the new face of the GOP?

Bizarre details about the first couple are revealed as the Blago trial blazes on.

UNIDENTIFIED MALE: It's almost brilliant.

UNIDENTIFIED MALE: Pretty brilliant. It's going to be seen as a brilliant choice by the president.

HANNITY: Plus we expose the Obamamania media's left-wing bias. More HANNITY continues straight ahead.

(END VIDEOTAPE)

HANNITY: All right. Prince Harry Reid's son Rory is running to be the next governor of Nevada. But oddly enough, Rory Reid doesn't mention his last name anywhere on his Web site's home page or on his first TV add, which hit the airwaves yesterday.

How odd. Now if you ask me I think he's sending Prince Harry a pretty clear message about his political prospects in the November election.

Oh and by the way, not a good one.

HANNITY is back in 90 short seconds with the man who could become the new face of the GOP.

**LOAD-DATE:** June 25, 2010

Interview With Michele Bachmann Fox News Network June 24, 2010 Thursday

**LANGUAGE:** ENGLISH

**TRANSCRIPT:** 062401cb.253

**DOCUMENT-TYPE:** Show

**PUBLICATION-TYPE:** Transcript

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Fox News Network

**June** 18, 2010 Friday**SHOW:** FOX HANNITY 9:00 PM EST**Analysis With Charles Gasparino and Nicole Petallides****BYLINE:** Sean Hannity**GUESTS:** Charles Gasparino, Nicole Petallides**SECTION:** NEWS; Domestic**LENGTH:** 1950 words

SEAN HANNITY, HOST: All right, just three days ago the president told the nation that when it comes to the **Gulf oil spill**, all hands are on deck. Now he told us cleaning up the Gulf would be his first priority.

So it seems odd that just days after making that pronouncement well, the White House is now launching a new campaign to shift the country's attention away from the disaster. Now it's called Recovery Summer, and through this PR blitz the president and BP will show Americans just how successful their \$787 billion stimulus bill has been.

Now the vice president kicked off the campaign yesterday. Look at this propaganda.

(BEGIN VIDEO CLIP)

JOE BIDEN, VICE PRESIDENT: Folks, I'm here to talk about the Recovery Act. And I'm sure that was the first thing on your mind this morning.

Well, the fact is, the Recovery Act is working. I think it's fair to say there is general consensus amongst most economists that a significant portion of the growth in the GDP as well as the job growth is attributable to the Recovery Act.

The Recovery Act is responsible for somewhere between 2.3 and 2.8 million jobs that were either saved or created. It means jobs that people doing the weatherization, it means jobs that accrue from the additional \$400 savings that now goes back into the economy.

Keep an open neighborhood lunch counter as well as the movie theater and the hardware store.

(END OF VIDEO CLIP)

HANNITY: All right, so while the president talks about how important it is to deal with the oil spill, well, today his summer stimulus campaign took him not to the Gulf Coast or the beautiful beaches of Florida but to Columbus, Ohio and while there to talk about jobs, the presidential visit forced hundreds of construction workers, well, to take a day of unpaid leave.

(BEGIN VIDEO CLIP)

UNIDENTIFIED MALE: Barack Obama is going to come in and do a speech over here at the Parsons and Livingston Avenue and because of that the whole children's hospital --replacement hospital is going to be shutdown. There's going to be no work here tomorrow. And no pay for us.

UNIDENTIFIED MALE: They're kicking everybody off the job so I guess we can have important people up here on-the-job tomorrow. Not real happy about it. I got bills to pay.

(END OF VIDEO CLIP)

HANNITY: And joining me now with reaction to the administration's latest antics are, from the FOX Business Network, Charles Gasparino and Nicole Petallides is with us.

Your first time. Welcome aboard.

NICOLE PETALLIDES, FOX BUSINESS NETWORK: Thank you for having me.

You spent your days on the -- on the floor of the stock exchange.

PETALLIDES: That's right. That's what I do every day. And they are all talking about all of this all the time.

HANNITY: You know, first of all, just -- Charles, one side note, the president spoke for 12 1/2 minutes. These guys lost a day's work. Jobs are important.

CHARLES GASPARINO, FOX BUSINESS NETWORK: That shows how removed he is from reality. I mean my dad was a construction worker. When you don't -- when you can't work, you don't get paid. That's the way it is --

HANNITY: I was in construction for years.

GASPARINO: Well, you know what it's like then. And I will say this. If you want to talk about construction and stimulus, the unemployment rate among construction workers -- stated unemployment, not the guys that have dropped out of the workforce which is much higher -- is 23 percent.

Where are the shovel-ready jobs? The bottom line is with this \$800 billion stimulus package and this is what economists are pretty much agreeing on, is that the money was transferred to the states. The states hoarded the cash to plug budget deficits. They did not use it to do what he said it was going to do, and that's those shovel-ready projects.

HANNITY: All right. Here's what aggravates me. Never before have we used this standard created or saved jobs. What Joe Biden said is an outright falsehood. The idea -- we have lost nearly four million jobs since Barack Obama's been president. That's a lot of jobs.

PETALLIDES: The unemployment rate is going up, not down, number one. And there's definitely this feeling that there's this Washington speak. Right? It's just pulling wool over your eyes.

I was at Starbucks today with a friend, an employee of the stock exchange. They have three sized cups, big one, medium one, a little one. And he said I'll take the smallest one. And they said OK, a tall. He said no, no, not a tall. I want the smallest one.

Makes you feel like it was a big. Right?

HANNITY: Right.

PETALLIDES: That's the -- that he said, this is your analogy. It is Washington speak. It's making you feel like things are bigger and better and happening when they're really not.

HANNITY: Well, the -- this is -- see, the administration, I got to tell you, is all about perception right now. We were there from day one. They weren't there from day one. They didn't take the skimmers. They didn't move the booms in the Gulf.

They didn't build the barriers. They rejected the help, Charles, of 13 countries that wanted to help after that oil rig exploded.

GASPARINO: You know, this is the problem that the president had. He spent about a year talking health care while millions of people were out of work, while we had 10 percent stated unemployment.

And he ignored the fact that the stimulus plan did not work. They're trying to spin it as job saved. But remember what their economists -- believe it, their economists said 8 percent unemployment. It would stop at 8, it's at 10. Why should we believe them now?

HANNITY: Listen --

GASPARINO: If they couldn't get that right.

HANNITY: I am -- where's any basic level of competence from the administration?

PETALLIDES: I love how Charlie is saying this about how the fact they're focusing on health care. People need jobs and the money that we've given them -- who do you want to spend your money? Would you like to be responsible for your money? Or would you like the government to spend your money?

You're probably going to spend it better. They are actually -- I saw some notes here, 200,000 to study the way women have sex in freshman year at Syracuse University.

HANNITY: We actually did a whole feature on that.

(CROSSTALK)

PETALLIDES: OK. They're having sex, OK? Save yourself \$200,000. You know, all these different things. The train depot, \$10 million. It's been -- it's been out --

(CROSSTALK)

HANNITY: They spent \$4.2 million on bicycle paths.

GASPARINO: I think you hit the right -- you hit an interesting point. You said how economically competent is the president and this administration. I'll tell you, when you talk to financial people they're coming down to this, that this -- that, listen, Barack Obama might be a very smart guy, maybe scored very high in his SAT's or his LASAT's when he was a lawyer.

But it's coming down to the fact that he may be economically incompetent if you look at what he's done following -- when he took office. He's done everything that you are not supposed to do. He -- listen, think about his stimulus package.

HANNITY: Listen, I think it's worse than that. I think he -- that he is Jimmy Carter on steroids. I think this was the equivalent of a malaise speech. I don't see -- I don't see an escape patch and I'll tell you why. Because he's rejected free market capitalist ideas to get us out of this and he wants the government to control everything.

And in his mind -- Harvard mind -- he thinks he can do it but on paper and the reality it doesn't work.

PETALLIDES: Competition. Right? You have to drive it. That's what you have to do. And I'm worried for our children. Right? We're getting these short-term boosts and we're going to suffer in the long term.

(CROSSTALK)

HANNITY: Where's the short-term boost? That's the big --

(CROSSTALK)

PETALLIDES: You know, they see it. Well, Cash for Clunkers, you know, the car --

(CROSSTALK)

PETALLIDES: Housing. They sold houses, the stimulus is done, no more houses. Housing falling off the cliff.

GASPARINO: If the stimulus packages of government spending really work, why was it call the Great Depression? Because that's what they did and it never worked. And I will say this, and this is where competence comes in, there's a degree among financial types people in the market of this is Nero fiddling while Rome is burning.

HANNITY: Wow.

GASPARINO: And I'm telling you that, when you --

HANNITY: You get the same -- you get the same feeling when you talk to these guys on Wall Street?

PETALLIDES: Without a doubt. I talk to them all day.

HANNITY: And I don't trust a lot of those guys on the stock exchange floor. I don't trust them. But --

PETALLIDES: Look, they work hard.

HANNITY: I'm teasing.

PETALLIDES: They're parents, their families.

HANNITY: I'm teasing.

PETALLIDES: Yes, right. All right. I got to stick up for them.

GASPARINO: You're huge -- you're huge down there.

HANNITY: No, no, no.

(CROSSTALK)

HANNITY: I say that because I have a lot of friends that work there.

GASPARINO: OK.

PETALLIDES: Right. Right. Right.

HANNITY: No, but in reality, everybody that I know that knows anything about the market --

GASPARINO: Economics.

HANNITY: And economics. They're all telling me the same thing.

GASPARINO: Aside from a few loonies at -- like Paul Crook (ph), but I mean, other than that you -- the mainstream economic and people in economics are worried. And even Krugman is worried in a different perspective about the fact that nothing was being done while we had massive unemployment.

Listen, if you agree with Krugman or not, he believes you have to do something. You have to stimulate. I believe the stimulus that should have been done, tax cuts.

HANNITY: Tax cuts.

(CROSSTALK)

GASPARINO: That's what works.

HANNITY: Yes.

PETALLIDES: That's right. And help the small businesses so that they can hire people. The big businesses they'll have lay-offs and they can still make it through. If you give tax cuts to small businesses, then they can hire people in the private sector.

GASPARINO: Small business are hoarding cash --

PETALLIDES: Not just --

(CROSSTALK)

GASPARINO: But the small businesses are the ones that really hire. And by the way, they're worried about cap and trade and taxes and everything else.

HANNITY: I got to tell you. If -- we don't unleash that cash soon unemployment -- real unemployment when you add under employed, those that gave up looking for work --

PETALLIDES: That's right.

HANNITY: They're discouraged, 17 percent. That's very high.

All right, guys, good to see you. Thank you both. Welcome. Great debut on the program. You're a pro. You're an old pro.

There is plenty more HANNITY coming up, straight ahead.

(BEGIN VIDEOTAPE)

UNIDENTIFIED REPORTER: Why are you running?

ALVIN GREEN, DEMOCRATIC CANDIDATE: To make a difference.

HANNITY (voice-over): Is Alvin Greene the most qualified Democratic candidate in history? Ann Coulter says he is. And she is here, next.

Analysis With Charles Gasparino and Nicole Petallides Fox News Network June 18, 2010 Friday

HILLARY CLINTON, SECRETARY OF STATE: The Justice Department will be bringing a lawsuit against the act.

JAN BREWER (R), ARIZONA GOVERNOR: It's outrageous and unacceptable.

HANNITY: A war of words erupts between Hillary Clinton and Arizona Governor Jan Brewer. Mike Huckabee responds.

All of that plus one lawmaker's quest to ban Sharia law from American courtrooms.

HANNITY continues, straight ahead.

(END VIDEOTAPE)

HANNITY: All right. The man tapped to orchestrate the Gulf Coast recovery plan has decided he's only got to do the job part-time. Now Navy Secretary Ray Mabus was introduced as the recovery czar during the president's awful office address.

Now Mabus' controversial decision to retain his current job is a departure from President Bush's response to Katrina, his recovery chief Don Powell resigned as FDIC chair.

It's time for the White House to understand cleaning up the Gulf, that's a fulltime job.

More HANNITY in 90 seconds.

**LOAD-DATE:** June 19, 2010

**LANGUAGE:** ENGLISH

**TRANSCRIPT:** 061801cb.253

**DOCUMENT-TYPE:** Show

**PUBLICATION-TYPE:** Transcript

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973 of 1000 DOCUMENTS

Fox News Network

**June** 14, 2010 Monday**SHOW:** FOX HANNITY 9:00 PM EST

## Analysis With Dick Morris

**BYLINE:** Sean Hannity**GUESTS:** Dick Morris**SECTION:** NEWS; Domestic**LENGTH:** 1843 words

SEAN HANNITY, HOST: All right, the anointed one just can't seem to hit the right note when it comes to addressing the **Gulf oil spill**. Now last week he was talking about kicking -- well, you know what. And now he's catapulted to another awkward extreme.

In an interview released yesterday, he told Politico.com that the impact of the Gulf spill on the national psyche echoes 9/11. He went on to say that, quote, "In the same way that our view of our vulnerabilities and foreign policy was shaped profoundly by 9/11, I think this disaster is going to shape how we think about the environment and energy for many years to come.

Now it -- it seems odd then that although the president considers the oil spill tantamount to the deadliest attack on American soil he skipped a memorial service for the victims of the rig explosion in order to headline yet another fundraiser for liberal Democratic California Senator Barbara Boxer.

On the same day he was comparing the oil spill to September 11th he also found time for a romantic date with his wife. Now the Obamas spent Friday evening at Washington, D.C.'s Kennedy Center taking in "Thurgood," which is a play about the Supreme Court's first African-American justice.

And work didn't pick up much of the weekend, the anointed one, well, he spent four hours yesterday at Andrews Air Force Base playing golf, yet again. Now meanwhile he told residents of the Gulf Coast region that when push comes to shove there's not much he can do -- not much -- to help.

Take a look.

(BEGIN VIDEO CLIP)

BARACK OBAMA, PRESIDENT OF THE UNITED STATES: Even though I'm president of the United States my power is not limitless. So I can't dive down there and plug the hole. I can't suck it up with a straw.

(END OF VIDEO CLIP)

HANNITY: Can't suck it up with a straw. How comforting. Now the president is back in the Gulf today. Now whether this is a work trip or just a photo-op remains to be seen.

Joining me now with reaction is the author of the "New York Times" best-seller, "2010: Take Back America," former Clinton advisor, Dick Morris is here.

How are you?

DICK MORRIS, FORMER CLINTON ADVISOR: Good to see you.

HANNITY: All right. I want to address people that don't get it. And we're now 56 days into this. Big speech to the nation. I'm sure liberals will be comparing it to the "Gettysburg Address" by -- by the time we come on the air tomorrow night.

Here's what they're not getting. Fifty-six days, the Dutch government offered skimmers. The British offered help. We have booms in a warehouse in Maine. We have skimmers in Texas. This president did not get involved. Did not take this seriously. And seems now to be doing this for political reasons. Reaction?

MORRIS: By the way, Sean, I'm wondering at what point do you stop counting dates since the spill and starting counting up days until the election.

HANNITY: I'm counting. 141.

MORRIS: OK. There's a --

HANNITY: OK? I'm right there, Dick.

MORRIS: It's kind of like a tipping point right?

HANNITY: You didn't think I'd have the answer to that. Go ahead, 114 days.

MORRIS: OK. When I worked for Clinton, I really came to the conclusion that the president doesn't run the executive branch of government, it runs itself. It obeys Newton's Second Law of Motion. A body in motion tends to remain at motion in the same direction, in the same speed unless acted on by an outside force.

And the president is the outside force. Clinton was a master at figuring out when and how to intervene to alter that direction. Obama is not. He did not understand how to intervene to stop the bureaucracy from turning down those foreign offers because of a crazy obsolete law passed in the 1920s -- the Jones Act -- that says you can't have foreign vessels operating in U.S. waters.

When BP offered to put up \$360 million to build the berms outside of the coast that Jindal wanted off Louisiana he turned them down because the U.S. dredgers said they wanted the work even though they didn't have the capacity to do it.

HANNITY: Well, the Dutch offered to do the same thing.

MORRIS: Right.

HANNITY: So the Dutch us skimmers. The Dutch offer for skimmers. I think everyone needs to know this. Twenty thousand tons of sludge they could have pulled out every day and they offered this on day three after the explosion.

MORRIS: Yes. And then the EPA turned down the plan that BP had to put in chemicals that would disperse the sludge. So what you're dealing with is a president that did not ask the right questions. So we have a president who is a legislator, which is what he's going to be tomorrow night.

HANNITY: Right.

MORRIS: New legislation to put at the environment. A litigator. He's suing for criminal penalties against BP. A taxer and spender. He wants a \$20 billion fund for the victims. But not an executive. And chief executive is the office we elected him to.

HANNITY: It's a great point. Look, I had to tell you. When I heard -- when I read this "Houston Chronicle" story about the Dutch, when I saw the video that we showed on this program last week in Maine of these booms, when I learned that others offered to build the barriers to protect our wetlands, et cetera, et cetera, I almost feel like this president has been criminally negligent in terms of protecting jobs and the environment.

And he seems -- there's a level of unhinged immaturity that he wants to blame and lash out and follow direction from Spike Lee.

MORRIS: They used to accuse Clinton of running a permanent campaign, in extent, we did.

HANNITY: You did.

MORRIS: But -- but we did, him and me. But we didn't -- he didn't neglect the obligations of the office. He still -- you know, waged wars successfully in Bosnia and Kosovo, and the whole bit.

The -- what happens with this guy is that it seems to be enough to come up with a message. It seems to be enough to come up with a target, with a litigation, with a legislative package.

They never settle down to the business of running the executive branch of government. And it's because he has his campaign team in there, because he's never run anything larger than a shoe store.

And what he's doing now is trying to be chief executive and he's failing at it.

And the speech tomorrow will prove -- I have a big column on this in DickMorris.com. It will prove that he is not an administrator. He's a populist, a litigator and a legislator.

HANNITY: It's frustrating because I'm looking at -- look, I love fishermen. I have friends of mine that fish for a living. They clam out in the bays of Long Island. I have people that I know they work hard.

Their livelihoods may be interrupted for generations. I mean you're talking about generations of fishermen.

MORRIS: Yes.

HANNITY: The tourism industry, keep reading about hotels, their occupancy is down 60, 70 percent.

MORRIS: Yes.

HANNITY: Our beautiful beaches, I've been to Destin, Fort Walton beach. Some of the nicest beaches in the country. Why did he not pick up or did anybody in the White House not pick up the urgency? Even Terry McAuliffe even said Clinton would have been down there.

All right, listen, just --

(CROSSTALK)

HANNITY: But he would have done it.

MORRIS: More than going down there he would have had the FEMA people in and asked some really tough questions.

HANNITY: Yes.

MORRIS: He would have really put them through the ringer and he would have figured out exactly what he needed to do to get this done. Obama never acted like it. He said it's BP's problem. It's British Petroleum's problem.

And then he saw this as a golden opportunity to rail against it. Now he sees it as a golden opportunity to offer new legislative package. Like Emanuel said, never let a good crisis go to waste.

HANNITY: Never let a crisis go to waste. Well, is that why they want -- now want to advance cap and tax. They now are advancing the moratorium on offshore drilling and they now want to increase taxes on the oil industry.

Seems to me that the most important thing is to plug up the hole and to clean the environment first before you send the lawyers in and move the legislation forward. Simple stuff?

MORRIS: Well, it's tough politicians if your foot hurts get hit over the head with a hammer and you'll forget about your foot hurt. So what he's doing is he's talking about cap and trade figuring the storm that's going to rouse. We'll make everyone forget about his incompetence in the oil spill.

HANNITY: Yes.

MORRIS: But just as George Bush was undone by the body count which went on day after day, whatever he said.

HANNITY: This count.

MORRIS: This count in barrels, not bodies is what's undoing Barack Obama.

HANNITY: What do you think about the BP chairman summoned now to the White House? The same he -- a week ago he didn't want to talk to.

MORRIS: It's all theater. It's all this garbage playacting. By the way, we have a heck of a chance now of defeating Harry Reid.

HANNITY: Yes, by the way, Sharron Angle is on the program tonight. Right here.

MORRIS: She's a great person. She ran the campaign out of her house. She's truly a grassroots candidate. But you can't fight Harry Reid as a grassroots candidate. You have to get up and play ball. He's the toughest politician in the country.

HANNITY: He's tough.

MORRIS: So I have a message for every one of your viewers. Send her money. She is going to be facing the onslaught of her life.

HANNITY: No, it's true.

MORRIS: You know what I told --

HANNITY: He even said so much.

MORRIS: You know what I suggested she do? Harry Reid has an ad saying she's a whacko. She's wacky. And she should get up there and say, well, I'm for balancing the budget, ending the deficit, no new taxes, energy independence, fighting terrorism. Harry Reid thinks those are wacky ideas.

(LAUGHTER)

HANNITY: That's actually pretty good.

All right, Dick, thanks for being with us.

MORRIS: Thank you.

HANNITY: And we appreciate it as always. 141 days to go, and 56 days in this oil crisis and still no resolution.

And there's plenty more HANNITY still to come your way tonight. Stay with us.

(BEGIN VIDEOTAPE)

OBAMA: It's a matter of the lesser of two evils.

HANNITY (voice-over): The president uses the disaster in the Gulf to target the Tea Party Movement.

HARRY REID (D-NV), SENATE MAJORITY LEADER: She actually came from nowhere in a 13-person field to win in the Republican primary to win this election.

HANNITY: Sharron Angle unveils her strategy to dethrone Prince Harry Reid this November.

UNIDENTIFIED MALE: Who are you? Who are you?

HANNITY: Plus shocking video of a congressman attacking a student outside the Capitol. More HANNITY, straight ahead.

(END VIDEOTAPE)

HANNITY: All right, on the Sunday show circuit yesterday South Carolina Congressman James Clyburn made a predictable call for bipartisanship on the part of Republicans. And he made it clear just what that means.

(BEGIN VIDEO CLIP)

JAMES CLYBURN (D), SOUTH CAROLINA SENATOR: I would wish that all of us would get onboard with some bipartisan approaches to try to get our economy stabilized. Let's stop talking about cutting taxes, cutting taxes, cutting taxes.

(END OF VIDEO CLIP)

HANNITY: Wouldn't the Democrats love that? I say cut taxes. HANNITY continues in 90 short seconds.

**LOAD-DATE:** June 15, 2010

**LANGUAGE:** ENGLISH

**TRANSCRIPT:** 061401cb.253

**DOCUMENT-TYPE:** Show

**PUBLICATION-TYPE:** Transcript

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