
Oct. 9 Republican debate transcript

Dearborn, Michigan presidential candidate forum

MSNBC

Participants: Senator Sam Brownback (R-KS); Former New York Mayor Rudy Giuliani; Former Arkansas Governor Mike Huckabee; Rep. Duncan Hunter (R-CA); Senator John McCain (R-AZ); Rep. Ron Paul (R-TX); Former Massachusetts Governor Mitt Romney; Rep. Tom Tancredo (R-Ca); Former Tennessee Senator Fred Thompson

Moderators: Chris Matthews, MSNBC; Maria Bartiromo, CNBC; John Harwood, CNBC; Gerald Seib, Wall Street Journal

Location: Ford Community and Performing Arts Center Dearborn, Michigan

Date: Tuesday, October 9, 2007

Chris Matthews: And good evening from me. I'm Chris Matthews of MSNBC. Joining Marie (sic) and me in questioning the presidential hopefuls this evening will be John Harwood, chief Washington correspondent for CNBC, and Gerry Seib of the Wall Street Journal.

We have a lot of ground to cover today, so in the interest of time, let's get right to it. Maria.

Maria Bartiromo: Okay, Chris.

Senator Thompson, this is your first debate in the election. We welcome you --

Fred Thompson: Thank you.

Bartiromo: -- and we kick it off with you.

Thompson: Thank you.

Bartiromo: The economy is America's greatest strength. In a recent poll by the Wall Street Journal and NBC News, two-thirds of the American people said that we are either in a recession or headed toward one. Do you agree with that? And as president, what will you do to ensure economic vibrancy in this country?

Thompson: I think there is no reason to believe that we're headed for a recession. We're enjoying 22 quarters of successive economic growth that started in 2001, and then further in 2003 with the tax cuts that we put in place. We're enjoying low inflation. We're enjoying low unemployment. The stock market seems to be doing pretty well. I see no reason to believe we're headed for -- (pause) -- for economic downturn.

As far as the economic prosperity of the future is concerned, I think it's a different story. I think if you look at the short term, it's rosy. I think if you look at a 10-year projection, it's rosy. But we are spending money we do not have.

We are on a mandatory spending lockdown that is pushing us in a direction that is unsustainable. We're spending the money of future generations and those yet to be born. That has to do with our mandatory spending problem. Everyone knows that we have to address that, and it's the fundamental and foremost challenge, I think, facing our country economically.

Bartiromo: Senator, you've painted a very nice picture. The Dow and the S&P 500 today at new highs tonight, record numbers, and yet, two-thirds of the people surveyed said we are either in a recession or headed for one. Why the angst?

Thompson: Well, I think there are pockets in the economy. Certainly they're having difficulty. I think there are certainly those in Michigan that are having difficulty. I think you always find that in a vibrant, dynamic economy. I think that not enough has been done to tell what some call the greatest story never told, and that is that we are enjoying a period of growth right now, and we should acknowledge what got us there and continue those same policies on into the future.

Bartiromo: Governor Romney, here in Detroit, Michigan, alone, one in every 29 homes went into foreclosure in the first six months of the year. Whose job is it to fix this problem, the government or private enterprise?

Mitt Romney: It's everybody's job. It's inexcusable that Michigan is undergoing a one-state recession, that the rest of the country is growing and seeing low levels of unemployment, but Michigan is seeing ongoing high levels of unemployment, almost twice the national rate. Industry is shrinking here, jobs are going away.

This is just unacceptable, and therefore, everyone's going to have to come together to solve the problem. And that means from the president's standpoint, the president's going to have to stand up and say: You know what? -- to the auto industry -- the door's always open. We're going to work with you and make sure that you have a listening hear and someone who will participate with labor and with management.

Number two, we're going to make sure that we invest in technology and research -- a lot of that relating to energy, fuels; automotive research like material science to help boost Michigan once again. We're going to have to fix the schools; as Newt Gingrich pointed out, 22 percent of Detroit kids don't -- or excuse me -- 22 percent graduate from high school. That's unacceptable. We're also going to have to do a better job keeping our taxes down. Jennifer Granholm has made a big mistake by raising taxes. I was, frankly, a little nervous to -- by being here tonight. I figured that she was going to put a tax on the debate before we got finished. (Laughter, applause, cheers.)

And we're going to have to go work, as well, to make sure that there's a level playing field around the world as we compete, to make sure that American goods are pushing into other markets; that goods coming overseas aren't getting an advantage as they do now with embedded taxes. There's a lot we can do to strengthen Michigan.

And in some respects, what Michigan is seeing the entire nation is going to see unless we take action now to get Michigan stronger.

Matthews: Mayor Giuliani, the private equity firms are making billions of dollars. I guess it's a mystery to me -- and you can explain it as a New Yorker, where these billions of dollars -- where were they before, and is there any downside to this amazing bonanza in the hedge fund and the private equity firms?

Rudy Giuliani: Well, I mean, the market is a wonderful thing. I mean, the free market is our -- one of our greatest assets. The leading Democratic candidate once said that the unfettered free market is the most destructive force in modern America. I mean, just get an idea of where that philosophy comes from.

The free market is the asset that has allowed us to -- the sky's the limit. The reality is that what we have to do is look at the fundamentals. A president can't be a economic forecaster. A president's not going to be any better an economic forecaster than you are a baseball forecaster. And I'm not particularly good baseball forecaster this afternoon. (Laughter.)

So the reality is, a president has to work on the fundamentals. What are the fundamentals? Keep taxes low. Keep regulations moderate. Keep spending under control. That's an area where we need a lot of help.

And make sure you do something about legal reform, so that our legal system doesn't -- it's, 2.2 percent of our GDP now is spent on all of these frivolous lawsuits. It's double any other industrialized nation. We don't get control of that, that's another way in which we're going to eat up our future. So we've got a prospect on the Democratic side of overspending, overtaxing, overregulating and oversuing. And I think you need a Republican alternative to that, which is an emphasis on the pillars of growth that I mentioned.

Matthews: Just to test your forecasting ability, Mr. Mayor, will Torre keep his job?

Giuliani: (Laughs, laughter.) God willing.

Matthews: Okay. Thanks.

Giuliani: Joe Torre is the best manager in the history of the Yankees, at least in the modern era, so -- and he's my friend. (Laughs.)

Matthews: Okay. Congressman Paul, I think you have questions and concerns about the bonanza in the hedgefund industry. Do you?

Ron Paul: Yes. I think this is not a consequence of free markets. What's happening is there's transfer of wealth from the poor and the middle class to the wealthy. This comes about because of the monetary system that we have. When you inflate a currency or destroy a currency, the middle class gets wiped out, so the people who get to use the money first, which is created by the Federal Reserve System, benefit, so the money gravitates to the banks and to Wall Street. See, that's why you have more billionaires than ever before.

Today this country is in the middle of a recession for a lot of people. Michigan knows about it. Poor people know about it. The middle class knows about it. Wall Street doesn't know about it. Washington, D.C., doesn't know about it. But it's because of the monetary system and the excessive spending. As long as we live beyond our means, we are destined to live beneath our means. And we have lived beyond our means because we are financing a foreign policy that is so extravagant and beyond what we can control, as well as the spending here at home, and we're depending on the creation of money out of thin air, which is nothing more than debasement of the currency.

It's counterfeit. And it is a natural, predictable consequence that you're going to have people benefit from it and other people suffer.

So if you want to help the economy, you have to study monetary theory and figure out why it is that we're suffering. And everybody doesn't suffer equally, or this wouldn't be so bad. It's always the poor people, those on retired incomes, that suffer the most. But the politicians and those who get to use the money first, like the military industrial complex, they make a lot of money, and they benefit from it.

Matthews: Thank you. Thank you, Congressman. (Applause.)

Bartiromo: Senator McCain, what about that? How are you going to win the middle class back? Wall Street executives are making millions of dollars every year, paying tax rates of 15 percent, while the average guy out there is paying 30 percent in taxes. Is this system fair?

John McCain: They're paying their -- everybody's paying taxes, and wealth creates wealth. And the fact is that I would commend to your reading, Ron, "Wealth of Nations," because that's what this is all about. A vibrant economy creates wealth. People pay -- pay taxes. Revenues are at an all-time high.

What's the problem? It's not just here in Michigan. It's in the heartland of America. We're losing industrial jobs, and we're not taking care of those who are left behind. Every town hall meeting that I have, people say, "I don't know if I'm going to have health insurance or not."

We're going to have to bring costs under control -- of health care -- if we're going to assure people that they're going to have retirement and they're going to be able to have the much-needed medical care that they are -- need as they grow older.

The fact is that Social Security's going broke. The fact is that Medicare is going broke. That's a little straight talk, and we've got to fix it. And we have to get spending under control.

And we Republicans, who came to power in 1994 to change government, government changed us. And unless we get spending under control and eliminate all this waste and pork-barrel spending -- and the latest is this public works, \$21 billion worth of pork-barrel projects in public works, which the president should veto. Another one he should veto is the SCHIP program, which we should say -- take the "C" out of because now it's for everybody, like every other entitlement program. And by the way, a dollar a pack increase for cigarettes? So we want to take care of children's health and we want everybody to smoke? I don't get it. And we've got to get wasteful spending under control. (Applause.)

Bartiromo: So you're saying -- so you're saying, Senator -- (applause continuing) -- so you're saying the system is fair. My question was, is the system fair?

McCain: Sure it's fair. Should we -- because the bulk of the taxes are paid by wealthy people. Should we reform our tax code, which is completely broken, which no one understands, no living American understands? Absolutely we should fix our tax code, and we should fix it immediately. And we should have Congress either vote up or down on a freer, fairer, simpler tax code, and I believe that Americans deserve that. (Cheers, applause.)

Matthews: Before we transition, Governor Huckabee, tell us about your Fair Tax. You're going to get rid of the IRS. You're going to have a -- basically a consumer tax. Won't that discourage spending? The American economy seems to always be driven by people buying things maybe they can't even afford. If you put a tax on spending as opposed to income, won't that encourage people to hoard their money rather than spend it, and hurt the economy?

Mike Huckabee: Chris, you know Americans better than that. Nothing's going to discourage them from spending money. (Laughter.) Just go to any shopping center on Saturday. You'll find that people aren't having to be begged to go spend money.

No, the Fair Tax does something that is absolutely phenomenal for the economy. It untaxes productivity. It untaxes those things which we export.

It means that for the first time in a long time in this country, instead of exporting our jobs, we'll actually be exporting products that we make in America. And we'll be able to make sure that there's a level playing field. It ends the underground economy that right now makes it so that folks like us end up paying taxes, but drug dealers don't; illegals don't; prostitutes and pimps, they don't. But we do.

You know, a lot of people are going to be watching this debate. They're going to hear Republicans on this stage talk about how great the economy is.

And frankly, when they hear that, they're going to probably reach for the dial. I want to make sure people understand that for many people on this stage the economy's doing terrifically well, but for a lot of Americans it's not doing so well. The people who handle the bags and make the beds at our hotels and serve the food, many of them are having to work two jobs, and that's barely paying the rent. And you know what else? They don't think that they can afford for their kids to go to college; they're pretty sure they're not going to be able to afford health insurance.

And so I hope in the course of this we can talk about a how a fair tax really lifts up everybody, including those at the bottom of the economic spectrum, and untaxes the poor people in our culture.

Matthews: Congressman Hunter, do you agree with that, the idea of replacing the IRS, the income tax, a direct tax, with an indirect sales tax?

Duncan Hunter: Well, actually, I'm a sponsor of the fair tax, but let me tell you, Chris, what is missing from this economy: 1.8 million jobs that have moved to communist China from the United States, including over 54,000 jobs from Michigan.

You know, a couple of years ago when our guys were getting hurt with roadside bombs in Iraq, I tried to find one steel company left in America that could still make high-grade armor steel plate to put on the sides of our humvees to protect against roadside bombs. I found one company left that could still do that, and as you go down through the array of military systems that we need for our security, we find that more and more of those have gone off-shore. So this is also a security issue.

You know, in Willow Run just a couple of miles away, we made a bomber every 60 minutes during World War Two.

We've made tens of thousands of tanks in Michigan. Today we could not do that because we've fractured the great industrial base of this country and we've pushed it off-shore with bad trade deals.

And I would say to my colleagues, Senator Thompson, the other senators, you all voted for most-favored-nation trading status for communist China. That set the groundwork for 1.8 million high-paying manufacturing jobs moving off-shore, going off-shore -- some of them never to return.

And what I would do is pass the Hunter-Ryan bill, which would put countervailing duties on the Chinese when they cheat; they are cheating on trade right now. I'd bring those jobs back home to the United States, and I would connect up the middle class of America with the Republican Party one more time. (Applause.)

Matthews: Senator Thompson, do you want to respond to that question or that comment by the congressman about Chinese trade?

Thompson: Yeah. Free and fair trade has been good for America, responsible for millions of jobs in this country. We cannot turn our back on that.

I was one of the strictest advocates of imposing restrictions on the Chinese for their behavior in terms of exporting dangerous materials to other countries and tying some of our trade policies to what they did in that regard. They have still not done enough. They have devalued their currency, which puts them in a favored position as far as our manufacturers are concerned.

But in terms of turning our back on free trade, that's not the direction to go in. It's meant too much for our country, and every country in the history of the world that's ever turned its back on free trade has suffered for it as a consequence.

Bartiromo: Ladies and gentlemen, we ask you please to refrain from the applause so that we can get as much time as possible with the candidates. Thank you so much.

Senator Brownback, are you prepared to say categorically that under a Brownback administration, there will not be a tax increase?

Sam Brownback: Yes. And I'd like to use the rest of my answer and time -- (laughter) -- to talk about some other things, because clearly, the last thing we need to do is raise taxes in this country. Currently the country now, the average citizen works until the first part, middle, of May just to pay their taxes? We're taxed to the max.

I think it's not enough just to say I'm not going to raise taxes. What should we go to differently? Because the current tax code really is an abomination. People don't understand it. It's manipulative. It's Washington trying to direct people's lives.

So I've put forward a proposal of an optional flat tax, and putting that on the table, saying, okay, you can pick this. If you want to stay in the code, go ahead, God bless you, but here's an optional flat tax. Sixteen countries around the world have gone to the flat tax. Nobody's gone back away from it, because it creates growth, it creates growth in the economy, and it increases revenue for the government.

And we also -- we have to get spending under control. Here you've got to change the system. And I've been around it long enough to see that Republicans or Democrats in control -- the system is built to spend. I have constituents come in all the time to my office, and they say, "I'm a conservative, but could we have this bridge? How about this hospital?" They never say, "We've got too much federal money; would you please cut it?" Nobody's ever told me that. So I think we need to take that BRAC military process for base closings, apply it to the rest of government, so you have an annual process for culling federal spending that requires a vote of Congress.

Bartiromo: So name one program you would cut.

Brownback: Advanced Technology Program would be a good one to start with. It goes towards high-end spending, corporate welfare programs. There's an abundance of those that we've gone at. I worked with Senator McCain -- a number of us did. But cutting spending is tough to do because you always got somebody pushing back and seeking more. That's why you got to change the system, so that it regularly requires a vote of Congress on things to cut. That's what'll actually reduce spending.

Bartiromo: Congressman Tancredo, same question. Are you prepared to say categorically that under your administration, there will be no tax increase?

Tom Tancredo: Absolutely. I'll take the oath. The fact is this, that when we talk about spending cuts, which everybody, I think, on this stage, adheres to and certainly pays lip service to, we have to think about what exactly it is that pushes spending at the federal level, and believe it or not, it isn't even earmarks.

I'm all for dumping them. It's okay with me. But don't think for a moment that if we did it tomorrow, all of a sudden, we'd have a balanced budget. Of course, we would not, because the thing that pushes spending at the federal level is mandatory spending. It's two things really -- Medicare, Social Security.

Now, you can cut the entire budget, the discretionary budget. You could cut the whole thing out and only come close -- well, you'd cut the deficit pretty significantly. But frankly you really want to do without funding for the armed services? And that's exactly what we're talking about in the discretionary side. It's about \$700 billion out of a three-point trillion-dollar budget.

If you want to control federal spending, you must look at Social Security and Medicare, and it's a dicey game. I know the president tried. I give him credit for at least getting out there, touching that third rail, getting burned by it. He did, jumped back immediately.

But the reality is this: If you don't do it, forget about all this talk about reducing federal spending. It's not going to happen. You better address Social Security. You better come up with a way to allow for private Social Security accounts, structurally fix both of those things, or forget the idea of ending deficit spending.

Matthews: Mayor Giuliani and Governor Romney, these are 30-second answers.
You've been having a tit-for-tat on tax cutting. What's the difference between the two of you? Your Honor first.

Giuliani: I cut taxes 23 times when I was mayor of New York City. I believe in tax cuts. I believe in being a supply-sider. I cut the income tax -- I think it was 24 percent. We got 42 percent more revenues.

I see in The Wall Street Journal this morning an editorial that says: Can we take the good news that the tax cuts have actually worked to produce about \$500 billion in additional revenue no one ever thought was possible?

So it's something that I believe in from results. I cut taxes by over \$9 billion. I didn't cut every tax. You can't possibly cut every tax, as I think Congressman Tancredo pointed out. You need money for police. You need money for military. But I cut, I think, as many taxes as you possibly could in that period of time. And George Will said I ran the most conservative government from that point of view in the last 40 or 50 years, in the entire country.

Matthews: Let's go to Governor Romney. Your difference with Mayor Giuliani on tax cutting?

Romney: Well, we both agree with the need to cut taxes and have fought to do so. And I did so in my state too. We both believe in cutting back on spending as well.

But if you want to cut taxes, you're going to have to cut spending. And the best tool that a governor has and the best tool the president has had is a line-item veto. And Mayor Giuliani took the line-item that the president had all the way to the Supreme Court and took it away from the president of the United States. I think that was a mistake.

He also fought to keep the commuter tax, which was a very substantial tax, a(n) almost \$400 tax on commuters coming into New York.

And when it's all said and done, if you're a New York taxpayer, city taxpayer, your state and city tax combined could reach as high as 10 percent, and in our state, if you're a Boston worker, it's going to be more like 5.3 percent.

So we both have worked real hard to get the taxes down, to get the spending down, but I'm in favor of the line-item veto. I exercised it 844 times. Thank heavens we had a line-item veto, and I would like to see it at the federal government level as well. We need it.

Matthews: Mayor Giuliani, respond.

Giuliani: I mean the difference is that under Governor Romney, spending went up in Massachusetts per capita by 8 percent; under me, spending went down by 7 percent. The line-item veto is unconstitutional. I took Bill Clinton to the Supreme Court and beat Bill Clinton. It's unconstitutional. What the heck can you do about that if you're a strict constructionist?

And finally, the point is that you've got to control taxes, but I did it, he didn't. I controlled taxes --

Romney: (Laughs.) I'm sorry.

Giuliani: -- I brought taxes down by 17 percent. Under him, taxes went up 11 percent per capita. I led, he lagged.

Matthews: Sir, a rebuttal here, final rebuttal.

Romney: It's a nice line, but it's bologna. Mayor, you got to check your facts. No taxes -- I did not increase taxes in Massachusetts; I lowered taxes, number one.

Number two, the Club for Growth looked at our respective spending record. They said my spending grew 2.2 percent a year; yours grew 2.8 percent a year.

But look, we're both guys that are in favor of keeping spending down and keep taxes down. We're not far apart on that. The place we differ is on the line-item veto.

I'm in favor of the line-item veto. I had it, used it 844 times. I want to see Libby Dole's line-item veto put in place, the president's proposal to have it put in place. I'm in favor of the line-item veto. I'd have never gone to the Supreme Court and said it's unconstitutional.

Matthews: Do you believe it is?

Romney: I do not believe the line-item veto is -- properly structured is -- the president just last year introduced a line-item veto that is -- that passes constitutional muster. Elizabeth Dole did the same thing. I'm in favor of the line-item veto to make sure that the president is able to help cut out pork and waste. Washington is finally going to have to have a reduction in spending. Republicans got spending out of control.

Matthews: John Harwood.

Giuliani: You got to -- I mean, you have to be honest with people and you can't fool all of the people all of the time. The line-item veto is unconstitutional. You don't get to believe about it. The Supreme Court has ruled on it. So you can bang your head up against a stone wall all you want. I am in favor of a line-item veto, except you have to do it legally. And as the mayor of New York, if I had let President Clinton take \$250 million away from the people of my city illegally and unconstitutionally, I wouldn't have been much of a mayor.

Romney: That's -- (inaudible.)

Giuliani: So I took --

Romney: That's what it was about.

Giuliani: So I took President Clinton to court, and I beat him. And I don't think it's a bad idea to have a Republican presidential candidate who actually has beat President Clinton at something. (Laughter.) (Applause.)

Matthews: (Inaudible.) Okay, we got to go to John Harwood. Thank you. John.

Thompson: (Off mike.)

John Harwood: As good as that fight is, I've got a question for Senator Thompson.

Thompson: (Off mike) -- Massachusetts and New York are low-tax, low-spending states. (Laughter.)

(Remarks off-mike.)

Harwood: Senator Thompson, in the kind of dynamic economy that you mentioned, lots of new jobs are created, but a lot of jobs are lost, as well.

The Bureau of Labor Statistics says three-fourths of manufacturing workers who lose their jobs and get new ones see their incomes go down. How would you explain to those people that their shrinking American dream is the price of progress? And what would you do to help them?

Thompson: Well, in a dynamic economy, there are jobs lost and there are jobs gained. And so far, there have been more jobs gained. To put up barriers and say that so-and-so cannot lose a job would be the wrong thing to do in a free-market economy that's been so well for us. It's made us the most prosperous nation in the history of the world.

But there are some things that you can recognize about the manufacturing industry and how important it is to us and how we can do something for the industry to help them hire more people and keep the wheels rolling -- government policies in terms of taxing and spending and regulation. The manufacturing industry is, in large part, an international industry nowadays, which means prices are set internationally. Manufacturers cannot do much about that but they get hit with cost domestically. We can do a lot about their cost, in terms of taxes and regulation.

We have the second-highest corporate tax penalty in the world.

We need to do better than that. We need to open up foreign markets. A lot of them are closing their markets to our people. Our people are not afraid to compete if the markets are open and the currency's not devalued.

Matthews: Congressman?

Tancredo: Yeah, let me answer that. You know, Senator Thompson, there is one place where the federal government has a role in manufacturing, and that's ensuring that everybody's playing by the rules.

Now, when Communist China devalues their currency by 40 percent, they undercut American products around the world. They undercut them so low that we can't even pay for the cost of materials and meet their prices. Now, that has put 1.8 million working Americans out of work, and that job, the job of enforcing those rules, is the president's job. That's what I intend to do.

Matthews: Let me ask Senator McCain, you know, when a lot of us grew up in the late '50s and early '60s, a young guy could come out of high school, marry his girlfriend from school, get a job at a big industrial

plant making planes or making subways and provide for a family with a middle-class income and his spouse wouldn't have to work. Will we ever go back to that world again?

McCain: I'd like to say yes, Chris, but I think we are in the midst of a revolution that we haven't seen the Industrial Revolution. A lot of people don't know that 50,000 Americans now make their living off eBay. We know that people have been left behind. We know that the tax code is eminently unfair.

We know that one of the big problems right here in Detroit is that when they -- before they turn a wrench on a new car, it's a \$1,700 legacy cost for health care for their retired employees. For Toyota, it's 200 (dollars). We're going to have to fix health care. We're going to have to fix Social Security.

And this line about it's just discretionary spending that's a problem -- the problem is, my friend, the American people no longer have trust and confidence in us that we will fix anything. As president, I'll fix them.

And the point is that we need to have job retraining programs. We need to go to the community colleges. We even need, if you're a senior laid-off worker and -- who gets another job to make up in compensation for the amount of money that's the difference between the job that they lost -- we have to fix these programs, but first we've got to go to the American people with clean hands. We've got to tell them we've stopped spending \$3 million to study the DNA of bears in Montana. I don't know if that's a paternity issue or a criminal issue. (Laughter.) I've got -- we've got to tell them -- we got to tell them that we will not spend \$2 billion on an aircraft tanker, which I was able to stop and save the taxpayers \$2 billion, because of this incredible extravagant waste in defense spending today, which is the biggest part of our budget. (Applause.)

Harwood: Governor --

Matthews: Can I -- Congressman Tancredo.

Tancredo: John, I just want to quickly respond. I certainly can agree with the senator on one thing, that the people of this country believe that the government is broken and hasn't fixed their problems to a large extent because of the senator's efforts in support of illegal immigration. That's one reason why they're concerned, and that's -- you're absolutely right, the government hasn't fixed the problem. And for every single illegal immigrant family in this country, it costs 20,000 -- it costs us \$20,000; \$20,000 in infrastructural costs. They pay about 10,000 in taxes. You really want to do something about -- to restore the people's faith in government? Do something about illegal immigration, don't just talk about it. (Applause.)

Okay, Gerry.

Bartiromo: Very sad.

Gerry Seib: Governor Romney.

Governor Romney, trade keeps popping up here, so let's bore in on it a little bit. By one estimate, the U.S. has lost 5 million jobs to overseas trade since 1989, and the U.S. must borrow every day \$2 billion from overseas to pay for its imports. President Bush says trade is still good for America.

Are you a Bush Republican on trade?

Romney: Well, I believe in trade, but I believe in opening up markets to American goods and services. And it's been calculated that the average family in America is \$9,000 a year richer because we have the ability to sell products around the world, and a lot of people in this country make their living making products that go around the world.

But it's also true that the people who negotiate these agreements, the people who sit down with the Chinese and sit down with the Mexicans and others, are people, by and large, who've spent their life in politics, and the politicians come together and try and understand how the economy works.

I think I'm probably the only guy on the stage who's spent most of his career in the business world. I understand how the economy works. I understand how if you make a certain adjustment in the agreement, it's going to have a huge impact on the United States.

And so for instance, if we agree to sit down with China, I understand that if we don't get real careful and protect patents and designs and technology, that what we tend to sell the most of, those kinds of things, intellectual property, is going to get stolen by the Chinese or by others, that we have to recognize agreements have to be in our benefit, not just in their benefit. And so as I look across the agreements we've made, I recognize we're going to have to do a better job. We're going to have to have people who understand how the business world works, how the economy works, and make sure that the playing field really is level by having people that know something about the economy and understand the business world being part of that effort.

I want to make sure that the American worker gets a fair shake. We need to make sure that the Chinese begin to float their currency, and they protect our designs and our patents and our technology. We need to make sure that the American workers don't have to carry the burden of extra taxes as we sell our products around the world. They come here without that tax embedded. We can do a better job, and I want to do a better job for the American worker.

And by the way, this is key for Michigan. And for me, Michigan is personal. I'm going to go to work to help Michigan. (Applause.)

Bartiromo: Thanks, Governor.

Mayor Giuliani, foreign acquisitions in the United States are headed for a record in 2007.

And yet some money is still turned away. A Dubai company could not acquire our ports. A Chinese company could not acquire Unocal.

Has this company -- has this country become protectionist, or are there serious, real national security concerns?

Giuliani: Well, I think we're on a verge of going in one direction or another. I mean, for example, if you want to get specific, the four trade deals with Peru, Colombia, Panama, South Korea that are in front of Congress right now, which the Democrats are trying to block, would be good deals for the United States. In three of the four of them, we would actually get to export more than we're importing. (Chuckles.) Why they would want to block this I can't understand. We're already importing about 98 percent -- 90 to 98 percent from those countries. We would actually get to export more, and we would increase our exports.

So yes, we have to improve our free trade agreements. I think you got to almost separate them into two different categories. There's economic protection, and then there's protection for safety, security and legal rights. And I don't think we've done a particularly good job on the second, and we have to improve those agreements. But we can't throw out the baby with the bath water. We can't say because these agreements weren't perfect, because they have problems, because they have issues, we're going to turn our back on free trade.

Our percentage of our economy that now depends on exports has gone up from 9 percent to 12 percent; we're a country that depends on exports. And we're also an entrepreneurial country.

We're a country that should think about all these people that are coming out of poverty in China and India and elsewhere -- we should think of them as new customers. We should be thinking about what could we

sell to them. Energy independence. Health care. There's so much we can sell to them. Let's get back our entrepreneurial spirit rather than having our head down.

Bartiromo: So, yes or no, should a Dubai company be able to own 20 percent of NASDAQ?

Giuliani: Sure, if they are -- if they are considered to be safe, if they -- if they pass safety and security clearances. Unfortunately, that deal was done so hastily, it was done so quickly, nobody can tell whether they could or they couldn't. But you just can't rule out foreign companies. There's a whole procedure you go through as to whether or not are they safe, are they secure. We cannot stop doing business with the rest of the world. If we do -- this is one of the reasons our depression became a Great Depression, because we erected such high tariffs that we extended the depression from two or three years to 10 or 11 years.

Bartiromo: Very quickly down the line, same question. Should a Dubai company be able to own 20 percent of NASDAQ? Congressman?

Paul: If there is no conflict with national security, certainly, yes, they should.

Bartiromo: This is the story, Dubai owning NASDAQ. Is there a security issue?

Paul: I don't think they're a threat to our national security, no. So they would be able to.

Huckabee: I think it really matters as to whether or not they're going to be -- there's going to be a fair trade. And the fact is, we don't have fair trade. And that's the issue we've got to address. Can they buy a company? Sure. But our real problem continues to be that an American company is having to pay an extraordinarily high tax on everything they produce, but the countries who are importing to us don't have the same border adjustability that we do.

And that's why we're losing jobs here, that's why people in Michigan are going -- looking for something to do, and that's what has to change, and it's not being changed, and this party is going to have to start addressing it, or we're going to get our britches beat next year.

Bartiromo: Senator McCain.

McCain: Yes, of course, they have to pass the required security requirements and everything like that. But I'm a student of history. Every time the United States has become protectionist and listened to the siren song that you're hearing partially on this stage tonight, we've paid a very heavy price. The Smoot-Hawley Tariff Acts in the 1930s were direct contributors to World War II. It sounds like a lot of fun to bash Chinese and others, but free trade has been the engine of our economy in the last half of this year, it will continue to be, and free trade should be the continuing principle that guides this nation's economy.

Bartiromo: Governor.

Romney: Of course you let a country invest in the United States, because we're going to have to stop thinking always in terms of defense and trying to keep other people out. The key is that America can compete around the world and win, and we do. In product after product, service after service, we're the best in the world. But we have to make sure that as we enter into agreements with other nations, we make sure that those agreements are in our benefit as well as theirs; usually that's the case, but not always, and in some cases it's not.

We're going to make sure that our goods and services are sold around the world, that they're not held up, that our technology is not stolen. And we're going to make sure that America gets the best shake in these agreements, and we -- and for heck -- you got to realize this country can compete with anyone in the

world, has before. We'll always -- we do not rein in -- put a moat around ourselves. We've put down the drawbridge and say, "Let's go out and compete."

Bartiromo: Senator?

Thompson: The answer is yes. Dubai would own 20 percent of NASDAQ, but NASDAQ, under this deal, as I understand it, would gain more than 30 percent of the Dubai company.

It all depends on national security issues. Doesn't seem to be one there. But we should look at all these deals carefully because we have a vast infrastructure. The great portion of it is in private hands. There's no way, frankly, we can protect it all. So we need to do everything that we can to make sure that we're doing all that we can to protect the infrastructure we've got and scrutinize these deals, number one, first and foremost, from a national security standpoint.

Bartiromo: Congressman Hunter.

Hunter: No, because I don't trust them. And I don't trust them because a few years ago Dubai, while an American Customs agent was trying to stop them, set for delivery a set of nuclear triggers to an anonymous recipient in Islamabad, probably for the A.Q. Khan network. That went directly against American interests. So I would not do that.

And to all my colleagues who talk about the joy of free trade, that requires one thing: good business deals. We've made the only business deal in the world with 132 other competitors where they get to have a rebate on their taxes and then put a block up of 15 to 20 percent tariff against our goods, and we don't get to do the same thing. That's why we have a trade deficit with countries that have higher labor rates than the United States.

So we're short on good businessmen, and I would junk those bad trade deals, bring them back to the table, and I'd practice mirror trade. If a country wants to put a 15 percent tariff against the United States, they're going to see that reflected back at them. If they want to take it down to 1 percent, we'll take it down to one, but there's not going to be a one-way street any longer.

Bartiromo: Thank you.

Senator Brownback.

Brownback: Yes, I think of the people on this stage I'm the only that's worked in the trade field. I was in the trade field as White House fellow in the first Bush administration.

If this party walks away from free trade, we're going the wrong way as a party. And I think Congressman Hunter is a wonderful man. The United States is a low-trade -- low-tariff country. I think our average tariff on anything that we have a tariff on -- and most things we don't -- is at 4 percent, so the negotiations we do are always with countries that have higher tariffs. And it's the objective that we have is to get those down, and we've had a decent record. What we've got to do now, I think, is really focus in on China's currency manipulation and intellectual property rights.

Bartiromo: So the answer is yes.

Brownback: Yes.

Tancredo: No, if -- I'll tell you. If Dubai wanted to buy Wal-Mart, I might think about it. But if they wanted to buy something else that would have, in this case, certainly more of an impact on our national security interests, I'd say, no, we'd have to think about that in a totally different way.

It is exactly the same with regard to China. There are things that we should have thought of in the first place when we passed the PNTR, which I voted against, along with Duncan Hunter. And I absolutely agree that trade is a great idea in many respects. But when you trade with people who are your potential enemy, and they have shown a willingness to use that economic opportunity to actually increase their threats to the United States, I'm not for trading with them at all.

Matthews: Governor, I mean, Senator Thompson, let me ask you about an income tax issue -- it gets batted around a lot in Washington -- the Alternative Minimum Tax. And here are the fiscal consequences. There's 20 million people about to be hit by that tax. It was meant to make sure rich people paid taxes but now, it's moving down because of inflation.

If this tax isn't changed, 20 million people are hit by it. If we eliminate the Alternative Minimum Tax, it costs the federal government \$100 billion that has to be replaced similarly somewhere else. How do you deal with something like that?

Thompson: Well, in the first place, I don't buy the concept that any reduction in taxes is lost revenue to the government. The taxpayers haven't lost it. It's in their pocket. They know exactly where to find it.

We shouldn't confuse the wealth of government with the wealth of nations.
Just because the money is sent to Washington doesn't mean that people are any richer. In fact, just the opposite is the case.

As you pointed out, the AMT was designed for the -- to target the rich guy. And when the Democrats start targeting the rich guy, if you're a middle-class guy you ought to run to the other side of the house because you're going to get hit. They're not going to be on target. And this is another one of those cases; you point out we're going from about 4 million people covered now to over -- over 20 million people.

What we're going to have to do, though, is look at this as part of a total picture. Generally speaking, lower taxes and lower tax rates grow the economy. It's been proven in the '20s, it was proven during the Kennedy administration, proven during the Reagan administration and again during this administration. I would apply that same principle to the AMT. It ought to be phased out. I think the responsible thing to do, though, until we get a handle on our mandatory spending side of the ledger, is to index it for inflation and fix it for another year while we look at the budget in total.

Matthews: Thank you, Senator.

We're going to take a break right now.

(Announcements.)

Matthews: We're branching out into other topics.

Senator Thompson, all things considered, has the Bush policy toward Iraq been a good one?

Thompson: I think the policy that we're engaged in now is the right one. Clearly, to me, we didn't go in with enough troops and we didn't know what to expect when we got there. But now we're showing signs of progress. I think we got to take advantage of the opportunities that we have there, now that we see a window of opportunity for things to turn around and us to stabilize that place and not to have to leave with our tail between our legs. If we did that, it would make for a more dangerous United States of America.

I think we've got to come to terms with the nature of the threat that our country faces. It is a global war. Islamic fascism has declared it upon us. They look at it as something that's something that's been going on for a long, long time. They're perfectly willing for it to go on for a long time more, killing millions of

innocent people in the process. They play by no rules, and they are intent on bringing down Western civilization and the United States of America. So we have to understand what's necessary and the determination that we need to show to friend and foe alike that we'll do what's necessary to fight on any front that we have to fight on. This is a front in a much broader war, and I think the young people that I talk to coming back from there understand that. In fact, sometimes it's strange to me to think that the average 20-year-old serving us in Iraq knows more about what it takes for our national security than the average 20-year veteran on Capitol Hill.

Matthews: Okay, thank you.

Bartiromo: Senator McCain, last week on the campaign trail, you were critical of President Bush for the lack of asking for sacrifice for the American -- from the American people after September 11th, adding that "Just go shopping" wasn't enough.

What would you have asked?

McCain: I would have asked Americans, when we were incredibly united -- as part of that, I'd give credit to my friend the mayor of New York City -- and Americans were ready to serve a cause greater than themselves, I would have told them, first of all, consider the military; also the Peace Corps, also AmeriCorps, also neighborhood watches, also volunteer organizations that we would form up all over America. That way we would all serve this nation.

I'd just like to mention I'm the only one on this stage that four years ago said this is a failed policy in Iraq; it's not going to work; it's got to be changed. I was criticized by Republicans for my severe criticism of Secretary Rumsfeld. I advocated the strategy that's succeeding. And thank God the American people are giving us a little window so we can let this thing succeed and not have happen, as the president of Iran recently said, the United States will leave Iraq, and there will be a vacuum, and Iran will fill it. That's what's at stake here.

Matthews: Congressman Paul, would you -- would we have gone to war in Iraq if we weren't so dependent on Middle East oil?

Paul: Probably not, but that should not be a reason. That's an old theory. It's mercantilistic. It's neocolonialism that you have to maintain your supply routes and your natural resources.

But I think there's still a lot of those kind of people around, and they believe -- you know, we were told it was about oil and jobs when it first started in 1990, and this is just a continuation of that war. Indeed, this war is a mistake; it was a mistake to go in. It's very costly, and it has a lot of economic ramifications. We're going broke. We have this huge deficit. We're spending nearly a trillion dollars with maintaining our empire overseas, and that's a cost. Right now we owe foreigners \$2.7 trillion. No wonder they have money to come back in here and buy stuff up, and then we object; but that has to do with our monetary system, as well as our foreign policy.

So if we want prosperity, we have to change our foreign policy; we have to live within our means, but we can't maintain a reserve currency where all -- our greatest export today are paper dollars. We create money out of thin air, and they still accept it as if it was backed by gold. And that is the reason all this money goes overseas. And at the same time, we finance all this military activity overseas, and it's bankrupting this country. And not only that, it's a threat to our personal liberties here, and it's going to be a threat to our economy because we are beginning to live beneath our means. And that is a natural consequence of what happens when you live beyond your means.

So we must change our policy both overseas and domestically.

Matthews: Do you believe that, Senator Brownback, that we would (sic) have gone to war in Iraq if we weren't so dependent on Middle East oil?

Brownback: I don't believe that in the least. We went to Iraq -- on the war in Iraq, what I voted for was the war on terrorism.

And Afghanistan was where the Taliban was -- where al Qaeda was located; it was run by the Taliban. And we saw in Iraq what we thought was the mixture of terrorism and weapons of mass destruction. And it was in 2003, this was in close proximity to 2001, when we had the 9/11 crisis, and I wasn't about to trust that Saddam Hussein wasn't going to mix terrorists with weapons of mass destruction. And we haven't found the weapons of mass destruction, but that doesn't mean we leave. And I think the Bush administration has generally done well military, and I think the military has done a fabulous job. (Applause.) I think we have done poorly on the political side.

And this Friday, Joe Biden and I are getting together in Des Moines, and we're going to be talking about the political side, a three-state solution in Iraq. This is what ultimately is going to happen. You're going to have a Kurdish north, a Sunni west, a Shi'a south within one country, federalism, with a weak federal government; the federal government headquartered in Baghdad. Joe and I don't agree on hardly anything, but this is what we need to do to get the political equation. That's what has been poorly done by the Bush administration starting with General Garner and moving on through the succession. It hasn't been well-handled politically. We've got to get a better bipartisan political solution -- we can.

Matthews: Senator Thompson, Senator Brownback made the point that we haven't been able to find the WMD. You made a statement a couple of days ago, I believe, that alluded to the fact: You believed that there were such weapons in Iraq. Do you believe they were there right before we got in and they were moved out somewhere?

Thompson: No, no.

Matthews: What do you believe?

Thompson: No, I didn't say that. I was just stating what was obvious, and that is that Saddam had had them prior. They used them -- they used them against his own people, against the Kurds.

Matthews: Okay.

Thompson: And of course, he had a nuclear reactor back -- I believe it was in '81 when the Israelis bombed that. And the Iraqi Study Group reported that he had designs on reviving his nuclear program, which he had started once upon a time.

So there's not question that he had had them in times past. And in my own estimation, there's no question that if left to his own devices, he and his son would still be running that place, attacking their neighbors and murdering their own people and developing a nuclear capability, especially in looking at what Iran is doing as their next-door neighbor and long-time adversary. And the whole place would be nuclearized.

Saudi Arabia would probably respond to that; other Sunni nations would respond to it. And you would have an entirely nuclearized part of the world that we don't have now. That would be extremely problematic for us from an oil standpoint, as well as a global stability standpoint.

Matthews: Thank you.

Governor Romney, that raises the question, if you were president of the United States, would you need to go to Congress to get authorization to take military action against Iran's nuclear facilities?

Romney: You sit down with your attorneys and tell you what you have to do, but obviously, the president of the United States has to do what's in the best interest of the United States to protect us against a potential threat. The president did that as he was planning on moving into Iraq and received the authorization of Congress.

Matthews: Did he need it?

Romney: You know, we're going to let the lawyers sort out what he needed to do and what he didn't need to do, but certainly what you want to do is to have the agreement of all the people in leadership of our government, as well as our friends around the world where those circumstances are available.

But the key thing here is to make sure that we don't have to use military action against Iran. That's what you hope to be able to do. And that's why we're going to (have to ?) put a lot tougher sanctions on Iran, economic sanctions, credit sanctions. We're also going to have to get serious about treating Ahmadinejad like the rogue and the buffoon that he is.

And it was outrageous --

Matthews: Okay.

Romney: -- for the United Nations to invite him to come to this country. It was outrageous for Columbia to invite him to speak at their university. This is a person -- denied the Holocaust, a person who has spoken about genocide, is seeking the means to carry out. And it is unacceptable to this country to allow that individual to have the control of launching a nuclear weapon.

Matthews: Okay.

Romney: And so we will take the action necessary to keep that from happening. And I think each person on the stage, but certainly in my case I would make sure we would take the action necessary to keep Iran from having a nuclear weapon.

Matthews: Well, I guess I want to get to the basic constitutional view of you gentlemen. I want to start with Congressman Hunter, the same question. If -- I'd like to get a number of response -- this couldn't be more important. Do you believe that Congress has to authorize a strategic attack, not an attack on -- during hot pursuit -- but a strategic attack on weaponry in Iran? Do you need congressional approval as commander in chief?

Hunter: Answer, Chris -- it depends on one thing: First, I think the president does not need that if the target is fleeting. We live in this age of terrorists with high technology, and if you have a very narrow window to hit a target, if the president's going to have to take that on his shoulders, he's going to have to do it. He has the right to do that under the Constitution as the commander in chief of the military forces. If he has time, then certainly you want to go to Congress, as we did in Iraq, and get the approval of Congress. So it's a matter of whether or not the target is fleeting.

And with respect to Iran, Iran is walking down the path to build a nuclear device. They've got now about a thousand centrifuges; they claim they've got 3,000. At some point, we may have to pre-empt that target. If we do, it should be done hopefully with allies but perhaps by the U.S. alone.

Matthews: Okay. Same question -- deadline, gentlemen, it's so important. Congressman Paul, do you believe the president needs authorization of Congress to attack strategic targets in Iran, nuclear facilities?

Paul: Absolutely. This idea of going and talking to attorneys totally baffles me. Why don't we just open up the Constitution and read it? You're not allowed to go to war without a declaration of war.

Now, as far as fleeting enemies go, yes, if there's an imminent attack on us, we'd never had that happen in 220 years. The thought that the Iranians could pose an imminent attack on the United States is preposterous. There's no way. This is just --

Matthews: Not an imminent attack, a fleeting -- (inaudible) --

Paul: This is just war propaganda, continual war propaganda, preparing this nation to go to war and spread this war, not only in Iraq but into Iran, unconstitutionally. It is a road to disaster for us as a nation. It's a road to our financial disaster if we don't read the Constitution once in a while.

Matthews: Around the horn, Congressman -- (applause) -- Governor Huckabee, same question. Do you need Congress to approve such an action?

Huckabee: A president has to do whatever is necessary to protect the American people. If we think Iran is building nuclear capacity that could be used against us in any way, including selling some of the nuclear capacity to some other terrorist group, then yes, we have a right to do it. And I would do it in a heartbeat.

Matthews: Without going to Congress? Without going to Congress?

Huckabee: Well, if it's necessary to get it done because it's actionable right now, yes. If you have the time and the luxury of going to Congress, that's always better. But Chris, the most important single thing is to make sure --

Matthews: And if Congress says no, what do you do? If Congress says no, what do you do, Governor?

Huckabee: You do what's best for the American people, and you suffer the consequences. But what you don't do is -- what you never do is let the American people one day get hit with a nuclear device because you had politics going on in Washington instead of the protection of the American people first. (Applause.)

Matthews: Senator McCain.

McCain: We're dealing of course with hypotheticals. If the situation is that it requires immediate action to ensure the security of the United States of America, that's what you take your oath to do when you're inaugurated as president of the United States. If it's a long series of build-ups, where the threat becomes greater and greater, of course you want to go to Congress; of course you want to get approval if this is a(n) imminent threat to the security of the United States of America.

So it obviously depends on the scenario, but if I were -- I would at minimum, I would at minimum consult with the leaders of Congress because there may become a time where you need the approval of Congress, and I believe that this is a possibility that is maybe closer to reality than we are discussing tonight.

Matthews: Senator? Senator Thompson.

Thompson: On this question? Yes, I think that -- I think John has it right.

I would add that under the War Powers Act there's always a conflict between the Congress and the president as to the exact applicability of that when an engagement lasts for a particular period of time and when they must come before Congress. I don't think anybody running for president should diminish the powers of the office before he gets there and take side in a hypothetical dispute.

But I would say that in any close call, you should go to Congress, whether it's legally required or not, because you're going to need the American people, and Congress will help you. If they are voting for it or they support it, or leaders, especially in the opposite party, are convinced in looking at the evidence that

this is the right thing to do, that will help you with the American people. And we have learned that over the long term, in any conflict, we've got to have the strong support of the American people over a protracted period of time.

Matthews: Okay, let's just bring it up to date on this, the political context, you know, Mayor, that Hillary Clinton has proposed -- she's co-sponsored legislation to do just this, require the president to come to Congress for any decision to go attack a nuclear facility in Iran.

Giuliani: It really depends on exigency of the circumstances and how legitimate it is that it really is an exigent circumstance. It's desirable. It's safer to go to Congress, get approval from Congress. If you're really dealing with exigent circumstance, then the president has to act in the best interests of the country.

And the point -- I think it was Congressman Paul -- made before, that we've never had an imminent attack -- I don't know where he was on September 11th. (Laughter.)

Paul: That was no country. (Applause.) That was 19 thugs. It has nothing to do with a country.

Giuliani: And there have been -- and since September -- well, I think it was kind of organized in Afghanistan and Pakistan. And if we had known about it, maybe hitting a target there quickly might have helped prevent it.

In any event, we've had 23 plots since September 11th where Islamic terrorists are planning to kill Americans, that we've had to stop. So imminent attack is a possibility and we should be ready for it.

Now, you asked me about Hillary Clinton. At the last Democratic debate, Hillary Clinton was asked by Tim Russert whether she agreed with my position on Iran. I like that form of debate, by the way.

Matthews: Okay.

Giuliani: Any time you want to do it that way. Ask her if she agrees with my other positions, as well. (Laughter.)

Matthews: (Inaudible.)

Giuliani: But on Iran -- on Iran -- on Iran what she said was -- she was asked, would you take a strong position that Iran will not be allowed to become nuclear and that we would use a military option if we had to? And she didn't answer the question. Well, you've got to answer the question. The answer is, yes, we would. Iran is a greater danger than Iraq. Iraq cannot be seen in a vacuum. And we have to be willing to use a military option to stop Iran from becoming nuclear. If we're willing to do it, we have a much better chance --

Matthews: Okay.

Giuliani: -- at having sanctions work.

Matthews: Thank you, Mayor.

Bartiromo: Let me zero in on oil. Mayor Giuliani, under your leadership, how will this country become energy -- oil independent and strike the right balance between environmental conservation and oil exploration?

Giuliani: You know, the question that Chris asked before about whether or not we would have had to have gone to war in Iraq if we were energy independent or we didn't have to depend on Middle Eastern oil, I mean, that is -- I think the answer is we probably should have and would have gone to war against Saddam Hussein anyway, but maybe not.

And certainly they'd have less leverage. And I think Iran would be a lot more of a paper tiger if we were more energy independent. So this is -- and you could go on into a lot of examples like that.

This is a matter of national security. You've got to support all the alternatives. There's no magic bullet here -- biofuels, nuclear power. We haven't licensed a nuclear power plant in 30 years. We haven't had a new refinery in 30 years. We're on hold. Hydroelectric power, solar power, wind power, conservation -- we have to support all of these things. We've got to support them in a positive way, and this is an area in which the federal government, the president has to treat this like putting a man on the moon. It is a matter of national security.

One of the ways to win the Islamic terrorist war against us is for us to be energy independent.

Bartiromo: But where do you draw the line? Do you support drilling off the coast of Florida, California?

Giuliani: You don't draw the line anywhere. What you do is you work with people to try to advance all of these technologies. You can't do everything; you can't do long-term damage to our environment. That would be a mistake, that would be an overreaction. You have to make sound judgments, and you have to advance these new technologies.

Why the heck haven't we licensed a nuclear power plant in 30 years? France is 80 percent nuclear; the United States is 20 percent nuclear, and we're going down to 15 percent.

It comes because of inaction. It comes because we're not willing to stand up and we're not willing to stand up sometimes to irrational fears and irrational special interests.

Bartiromo: Senator Brownback, the same question. Where do you draw the line? Do you support drilling/exploration off the coasts of Florida?

Brownback: I think you go in every place that you can to find resources. I put forward a proposal for us to be energy-secure -- not independent, energy-secure -- in 15 years. I don't think it's realistic for us to say we can be independent of every country around the world on oil supplies or on energy supplies in the near future, given our dependence and given the nature of what the global economy is like.

But I think one of the key answers is right here in Detroit. We've got to get more electricity involved in our car fleet. There's a Chevy Malibu parked out front here that's a hybrid flex-fuel -- they've got hybrid cars. They have flex-fuel cars. I think that's a big part of the answer. I'd like to see us move forward with getting the first 20 to 30 miles off of electricity that you plug into at night. That's technology. We're putting forward tax credits and incentives to try to move that forward. That's something Detroit here needs to grab on and is. And that can move us forward as an industry and as a country.

Bartiromo: But on the issue of exploration, you said yes to the coast of Florida, and you say yes to ANWR?

Brownback: I voted yes for ANWR, and I would support those in other places, environmentally sound.

We have to do it in environmentally sound fashion.

Bartiromo: Congressman Tancredo.

Tancredo: You bet. I would agree to exploration off the coasts. I mean, it's -- how fair is it today that Louisiana is producing all the oil that California and other countries (sic) are consuming, and they refuse to allow the exploration of oil of their coasts? I'd say if you don't -- if you won't allow it, you can't use it -- the stuff that we're getting from Louisiana. (Laughter.)

Now, the other thing is this -- when we talk about deficits, our trade deficits, it's -- by the way, it's not importing, you know, toys from China that causes it. The biggest chunk of our trade deficit is due to one thing and one thing only -- it's oil. That's where all the dollars flow. And where do they flow? To countries that want to kill us. So, yeah, you better drill every place you can here, and you better figure out every way to reduce your dependency on foreign oil.

Bartiromo: John Harwood.

Harwood: Senator McCain, ExxonMobil, Chevron and ConocoPhillips this past year earned a combined \$72 billion in profits. Is that too much? Should the oil industry pay higher taxes, or should it be required to use some of those profits to help solve our energy problems?

McCain: I would hope that they would use those profits to further the cause of alternate energy, nuclear power, a lot of other ways that we have to employ in order to eliminate our dependence on foreign oil.

By the way, I wouldn't drill off the coast of Florida unless the people of Florida wanted to. And I wouldn't drill off the coast of California unless the people of California wanted to, and I wouldn't drill in the Grand Canyon unless the people in Arizona wanted to.

Harwood: But you wouldn't require the oil industry to do those things --

McCain: I -- what's that?

Harwood: You would not require the oil industry to use its profits to help pursue alternative energy?

McCain: I would not require them to. But I think that public pressure and a lot of other things, including a national security requirement that we reduce and eliminate our dependence on foreign oil -- and we stop the contamination of our atmosphere, which is -- and climate change, which is real and is taking place.

And we have now a confluence of two national security requirements. One is to address the issue of climate change, and nuclear power is a very big part of that. And it's also a requirement to not allow Chavez in Venezuela, Putin in Russia and the president of Iran to dictate world events, bully their neighbors and use oil as a weapon which would probably further terrorism and endanger this nation's national security. (Applause.)

Harwood: Governor Huckabee, the federal government has spent years and billions of dollars promoting ethanol, but the result has been a glut of ethanol and gas prices that are still at record level. Wouldn't it be better to just let the free market determine whether ethanol makes economic sense or not?

Huckabee: I think ethanol and all biofuels are going to be an important part of the future energy needs of the country, but the accelerated pace at which we get there is critical for national security as well as for our own economic interest. The fact is, we keep talking about 15-, 20-, 30-year plans -- that's nonsense. If we don't start saying we'll do this within a decade, we're never going to -- ever going to get there, and we need to approach it the same way that a car does at the NASCAR pit stop: You rush in, you get it done because you have to. We're in a race; we're in a race for our lives against people who want to kill us. And a lot of the reasons that we are entangled in the Middle East is because our money buys their oil, that money ends up coming back to us in the way of Islamofascism terrorists.

We've got to come to the place where everything is on the table -- nuclear, biofuels, ethanol, wind, solar -- any and every thing this country can produce. We once had a president who said, "Let's go to the moon in 10 years," and we were there in eight. And we did that when we started with a technology of bottle rockets when we got the thing launched. And we all saw that we can do it.

But we can't do it when we create this sense of we'll wait until another generation. We can't wait till another generation. Instead of running it like NASCAR, we've been running it like taking the family station wagon in for letting Goober and Gomer take a look at it when they get time under the shade tree. (Laughter.) So it's critical that for our own interest economically and from a point of national security, that we become energy independent and commit to doing it within a decade.

Harwood: Senator Thompson, let me ask you to respond on ethanol. Should the government determine whether ethanol makes sense or should the market?

Thompson: First I want you to explain for my friends here who Goober and Gomer are. (Laughter.)

Excuse me.

Unknown: (Inaudible) -- they watched Andy and Opie.

Thompson: That's right. (Laughter.)

Harwood: It's a southern thing, I guess.

Should the government determine whether ethanol makes economic sense, or should the free market make that determination?

Thompson: Ultimately it will be the free market. But I think, like the governor says, I think that we're in a situation now where we've got to use everything that's available to us. I think renewables and alternatives are a part of that picture.

I don't look for it to last forever. When the industry gets up and running and on its feet again, I don't see the need for what we're doing now.

But you have to look at the bigger picture. Most economic downturns over the last 25 years have been preceded by a spike in oil prices. There's probably plenty of oil out there for the indefinite future. But price is an issue, and that brings in the whole question of the importance of stability in the world.

The United States, since the end of World War II, has been a force for stability and democracy, which helps bring about stability, for a long, long time. Our policies, with regard to places like the Middle East and Iraq right now, are very important with regard to the very issue we're talking about. Because instability and crises in the wrong parts of the world are going to cause dramatic results in the upward movement of the oil prices, and that could be devastating to our economy.

Bartiromo: Quick follow-up: Governor Romney, you said government shouldn't get involved in business and free markets. Yet we subsidized farmers to the tune of \$26 billion last year. Will the government end up bailing out farmers again?

Romney: I believe in domestic supports for our agriculture industry. I don't want to see our food supply be in the same kind of a jeopardy situation that our energy supply is in. And clearly there's a responsibility of government to make sure that our farmers are treated on the same basis as farmers in Europe and other markets that we compete with.

We're in the middle of the Doha Round, the WTO talks, and if we find a way to bring down subsidies around the world, that'll be good news.

But with regards to energy -- and that's really the heart of what we're describing here -- one side of this is, of course, the fear; the fear of the fact that we face global warming, that we face serious competitive challenges globally unless we become serious with getting prices of energy down. But the other is the opportunity. It's a great opportunity for America to develop technology to lead the world in energy efficiency as well as energy production. And whether it's nuclear or liquefied coal, where we sequester the CO₂, far more fuel-efficient automobiles -- by the way, where bureaucrats don't write the rules, but where business people come together and say let's find a way to make sure that the American -- the domestic industry can thrive. These are some of the incentives that have to be behind our policies with regards to our investments --

Bartiromo: Thank you.

Romney: -- in new technologies like ethanol.

Bartiromo: Chris.

Matthews: This is one of those 30-second, down-the-line, gentlemen, questions. Polls show the Republicans are known as the party of national security and of moral values. The polls also show that voters look now, at least, to the Democrats to handle the economy.

How are you going to win back their confidence in order?

Congressman Paul.

Paul: Well, first, we have to have a sound economy and we don't. We're overtaxed, we're overregulated. We work with a currency that is non-functional, and our prosperity is slipping. And we are overextended overseas; you can't have a prosperous economy at home when you're spending all the money overseas.

You can't even have a strong national defense if you're spending all this money overseas in wars that we're not winning.

So if we want a prosperous economy here, we have to change these policies, and we can't be bailing out farmers and subsidizing ethanol. This is just the wrong way to go. The taxpayers pay (sic) for the subsidies, and then they pay for higher prices when they buy the gasoline or buy the food. It never works.

Matthews: Governor?

Huckabee: The American people have always believed that the American dream was alive for them. Most of us here today, probably every one of us, are living better than we ever dreamed we would when we were kids.

But when I ask the question, "How many of you think your kids and grandkids are going to be living better than you," rarely does a hand go up.

A lot of what has to happen is a restoring of the resilience and optimism in this country, and part of that is making sure that they understand that we understand we've got big problems that need big ideas, things like a total overhaul of our tax system, and people who are running this country who grew up the hard way, with a struggle, who understand what it's like to not be sure that the next day is going to necessarily be a great and prosperous one.

Matthews: Senator McCain.

McCain: The American people no longer have trust or confidence in our government -- our failure -- Katrina, our failures in Iraq, our failures to get spending under control -- and we've got to restore that trust and confidence. If we're going to have real immigration reform, we're going to have to have trust that we will secure the borders.

The American people want us to stop the outrageous wasteful spending which has caused our Republican base to become disenchanted and disillusioned. We're going to have to do some -- make some tough decisions and make some hard choices. The American people are ready to accept them, but they want for us to be straight with them, and they want straight talk, that they will know the challenges and they will rise to meet them.

Matthews: How do the Republicans win back confidence on the economy, Governor Romney?

Romney: First by being confident, not going out with a message of doom and gloom of all the problems we have, but instead pointing out that the future's going to be even brighter than our past, and I'm entirely convinced of that.

This nation has everything it needs to succeed around the world and at home. We have the heart of the American people, which is sound and alive and well. We have technology, innovation, capital. We need to have leadership that'll tell us the truth and actually lead. And vis-a-vis meeting with most likely Hillary Clinton, I can't wait to talk about the fact that I spent my life in the economy. I understand how jobs come and why they go. I know how to get a health care plan not just talked about but actually implemented. I know how to make sure that we keep our taxes down and our spending down. I know how to help American companies do business around the world and stop those foreign companies from coming in here unfairly. That's what I've done throughout my career. I can't wait to debate with her, because I've done it; she's just talked about it.

Matthews: Senator Thompson.

Thompson: I think we need to tell the American people the truth.

Congress's approval rating now is about 11 percent. I don't people -- I don't think anybody believes anything coming out of Washington anymore.

I think we need to tell them the truth, that our security is on the line, that our economy is on the line, that our prosperity is on the line. We're going to have to do some things differently. We're probably going to have to spend more than four percent of our budget, as we're spending right now, on our military. We are bankrupting the next generation and those yet to be born.

Those are truthful things that the American people, I think, have an intuition about. We need to own up to it. It's not all gloom and doom. We want to live in a world and a country that's free -- free markets.

People accept responsibility. People who play by the rules and work hard can expect to live the American dream. If they need help in this country, they get help. And those who can help themselves are expected to do so.

Matthews: Mayor.

Giuliani: How about the vision of a robust, strong America, an America that looks at energy independence from the point of view of not only are we going to develop it for ourselves, but this is exactly what we

could be selling to China and to India? They need energy independence more than we do. How about an America that fixes its health care system in the right way, so we can actually sell that abroad?

The possibilities for America in this global economy are endless if we don't put a lid on ourselves. Hillary Clinton, the governor mentioned, wants to put a lid on us. She wants to put a lid on our growth.

We want to give people freedom. I'll give you an example. Hillary the other day -- remember the Hillary bond program? She's going to give out -- she's going to give \$5,000 to every child born in America -- with her picture it? (Laughter.) I think, right?

Matthews: (Inaudible.)

Giuliani: Okay. Okay. Okay. I challenged her on it. I challenged her and she backed off that. She has a new one today. This one is she's going to give out \$1,000 to everybody to set up a 401(k). The problem is, this one costs \$5 billion more than the last one.

So, I don't know, Hillary is filled with endless ways to spend --

Matthews: Okay. Congressman Hunter?

Giuliani: -- and we're going to have to control that.

Hunter: Yeah. Chris, you know, we've got -- American families have watched \$75,000-a-year jobs being pushed offshore, \$60,000-a-year jobs being pushed offshore. They understand that something's wrong. And we've talked a little bit about the -- about the deficit, about \$160 billion this year. The trade deficit is \$800 billion this year.

And the one thing that we can do to restore confidence in the Republican Party is to be good businessmen and good leaders. Let's get rid of the bad trade deals, and let's bring them back to the table, our trading competitors, and make deals that give our guys sitting there at the kitchen table --

Matthews: Okay.

Hunter: -- with their families a fair shot at a good job, and give those small businesses that have been outdone by China's --

Matthews: Okay.

Hunter: -- cheating on trade a good chance at winning for a change.

Matthews: Senator?

Hunter: That's what we can do.

Matthews: Senator.

Thank you.

Brownback: I think real plans, like an optional flat tax -- (inaudible) -- personal Social Security accounts, and being optimistic.

This the most powerful nation in the history of mankind right now. Less than 5 percent of the world's population, yet 20 percent of the world's economy, a third of the world's military spending, 40 percent of our research and development budget around the world is in this country. I mean this place rocks, and I think we need to be optimistic and upward-looking of what this nation is. (Applause.)

Matthews: Congressman.

Tancredo: You want to raise wage rates in the United States. You want to reduce taxes in the United States. You want to encourage people to think about us as doing the right thing as Republicans do this -- stop illegal immigration into this country. We'll do all of these -- those things. And I'll tell you something else we need to do. I have never voted with Republicans more than I have since we've been in the minority. It's incredible. We're fighting Democrats now tooth and nail on every single thing, SCHIP -- great. You know what? Standing on principle is a good idea; too bad we didn't do it when we were in the majority.

Let's think about this now. Stop pandering. Stop pandering to all of these special interest groups. Do what's right regardless of whether or not people all agree with you when you take -- you know, this kind of put your finger in the wind. Do what you believe in. Stop pandering, they'll believe in us. (Applause.)

Matthews: We have a special interest to hear from. Right now, we're taking a commercial break.

(Announcements.)

Bartiromo: Welcome back to the Republican debate.

Let's switch gears, talk about Social Security and benefits. Senator Thompson, you seem to be one of the few that is willing to talk specific -- give specific steps to maintain long-term solvency of Social Security. Describe some of those specific steps.

Thompson: Yeah. Well, you've hit on a major problem that we've got to come to terms with. We're looking at the short-term economic situation now, and I think it's very good news, but if you go out a little bit, you will see that we're not going to have Social Security and Medicare as we know it into the future. Our children and our grandchildren certainly are not. We are eating our seed corn. We are spending their money. We're pitting one generation against the next. We're better than that. We've got to do some things better than that, even though the choices are difficult.

Number one, we've got to make sure we have a growing economy. That means low taxes. That means less regulation. That means sound fiscal policies. That means less spending on the discretionary side. Our bridges and our infrastructure and things of that nature -- our national parks have got to be taken care of. But mainly, we have to let people provide for some of their own savings for their retirement while they're still working.

And then lastly, one of the other things that could be done would be to index benefits to inflation, index benefits to inflation for future retirees. It would not affect current or near-retirement people.

But for future retirees, instead of having nothing, which is what they're headed for under the current situation that's unsustainable, they would have protection, but it would be indexed to inflation instead of wages as it is today. And it would solve the problem for several years. It wouldn't solve it indefinitely, but it would give us a window of opportunity to get our arms around the problem, it would be a major step in the right direction.

Bartiromo: Thank you, Senator.

John?

Harwood: Congressman Tancredo, I want to go back to something that came up earlier, that's the issue of trade. Governor Romney suggested that one reason our trade problems are so bad is that the negotiators for the Bush administration don't understand business well enough. Do you think that's part of the problem?

Tancredo: No, no. The negotiators for the Bush administration -- probably the worst vote I ever passed was the vote to give the president Fast Track. I wish I'd have never done it, and I'll tell you why -- because everything I have seen subsequent to that time has been a package, a trade package that I certainly am concerned about from this standpoint -- not necessarily just the trade issues that we're involved in -- I mean, you know, talking about the tariffs -- CAFTA. Here was a bill over a thousand pages long to what -- to do what, to reduce tariffs between the six Central American countries and the United States? That was about a paragraph, right? But it's over a thousand pages.

What worries me about what we've done in trade, what this administration has done in particular, is that we've included all kinds of things in there that had nothing to do with trade.

In particular, of course, I'm talking about the immigration-related issues. I offered an amendment on the floor of the House during the debate on CAFTA, the Central America Free Trade Agreement, to say that there will be no immigration issues contained inside of a trade package. It was defeated. The speaker -- I mean, the chairman of the committee came down in the House -- to the House floor and raged that I would ever suggest such a thing. There is the problem.

We are talking about trade issues that actually begin to impact our national sovereignty. There's the problem. We are reducing the importance of borders and increasing the threat to national sovereignty with the kind of trade programs that we put through up to this point in time.

Bartiromo: Gerry.

Seib: Governor Romney, as you well know, health costs are a huge issue for the automakers in this city. Do you think the Republican Party should take the lead in ending the employer-based health care system we have now and replace it with something else? And if so, what would that be?

Romney: Well, I don't believe in replacing what we have, but I believe in improving it. And the way we improve something is not by putting more government into it -- of course that's what Hillary Clinton wants to do; Hillary care is government gets in and tells people what to do from the federal government standpoint. In my view, instead, the right way for us to go is to bring in place the kind of market dynamics that make the rest of the economy so successful.

So my plan gets everybody in America insured, takes the burden of free riders off of our auto companies and everybody else, and says let's get everybody in the system.

And to do that, we say, look, we're going to have states create their own plans. We did it in our state, and it's working. We're not going to have the federal government tell them how to do it.

Number two, we're not going to spend more money. Hillary Clinton's plan costs \$110 billion. Mine says, let's use the money we're already spending a little more wisely.

And number three, instead of having the federal government give you government insurance, Medicare and federal employee insurance, let's have private insurance. Our solutions as Republicans have to be able to deal with the big issue of our time economically for the American family, and that's health care.

Get the cost of health care down. Get everybody insured, but not in a government takeover, but by using the dynamics that have always made our other markets so successful.

And one more thing, and that is, our health care system right now really penalizes individuals that might want to buy their own insurance, as opposed to buying it through their company. And that's why I propose that people should be able to get their insurance individually, and it should be -- and get the same tax treatment as to whether the company buys it for them, or they buy it for themselves. And all medical expenses would be tax deductible.

This issue, health care, is not a Democratic issue. It's a Republican issue. It's a Democratic fundraising opportunity. They go out and use it to raise money. But the right thing for health care is for us to apply market dynamics to get people insured, and to bring the cost of health care down. The plan that we put in place is doing just that.

Matthews: Thank you, Governor.

This is a 30-second answer.

And the question is, are unions good for America? And please act like you're a member of a union and limit it to 30 seconds. (Laughter.) Okay?

I'll start with Congressman Paul. Please, we have limited time.

Paul: The right to unionize should be a basic right of any group. You should be able to organize. You should have no privileges, no special benefits legislated to benefit the unions, but you should never deny any working group to organize and negotiate for the best set of standards of working conditions.

Matthews: Governor?

Huckabee: The real fact is, unions are going to take a more prominent role in the future for one simple reason: A lot of American workers are finding that their wages continue to get strapped lower and lower while CEO salaries are higher and higher. And the reality is that when you have the average CEO salary 500 times the average worker, and you have the hedge fund manager making 2,200 times that of the average worker, you're going to create a level of discontent that's going to create a huge appetite for unions.

So unions are the natural result of workers finally saying, "Look, I can't go from a 70,000 (dollar)-a-year job to a \$15,000-a-year job and feed by family of four." That's when unions are going to come back in roaring form.

Matthews: Senator McCain.

McCain: I think the unions have played a very important role in the history of this country to improve the plight and conditions of laboring Americans.

I think that like many other monopolies, in some cases they have then serious excesses. I come from a right-to-work state. If someone wants to join a union in my state, they're free to do so, but they are not compelled to do so.

I think the key to unions is that any American has the right and privilege to join a union but should never be forced to do so. And this latest ploy of the Democrats of signing people up in the most willy-nilly fashion is something that needs to be rejected, because it will not protect the rights of workers who do not wish to join a union.

Matthews: Governor?

Romney: Senator McCain is sure right on that point. With regards to unions overall, there are some good ones and some not so good. The good ones are those that say, "How can we do a better and better job helping our members have better and better skills, and making sure that the enterprises they work in are more and more" --

Matthews: Can you name a few "good" unions?

Romney: Yeah, like the Carpenters Union, for instance, does a great job training their members and making them more effective and more efficient, and they get higher compensation as a result of it.

There are also bad unions. I'm probably not going to name specific bad unions, but there are -- (laughter) -- but there are bad unions as well, which -- who go too far and who forget that in order for them to be successful, the enterprise that they're involved with has to also be successful.

And -- I mean, I remember my dad had a conversation long ago --

Matthews: Okay, we have to get --

Romney: I'm just going to tell a story --

Matthews: These are 30 seconds. I'm sorry, Governor.

Romney: (Inaudible) -- okay.

Matthews: I have to cut you off. I'm sorry.

Senator?

Thompson: I don't have to pretend that I'm a union member because I have been a union member some time -- the Screen Actors Guild still counts, doesn't it? (Laughter.)

Matthews: Yes, sir.

Thompson: All right.

No, I believe in the rights of workers to band together for their own purposes, no question about that. I do not believe a person ought to have to be a member of the union to work. I do not believe that union bosses ought to use union dues for political purposes that their members don't necessarily agree with, and I do not agree with them denying union members a secret ballot. But other than that, I think that they've done a lot of good over the years for this country and will continue to do so.

Matthews: Mayor?

Giuliani: Sure, I think unions have made a positive contribution. My grandmother was an early member of the United Ladies Garment Workers Union, and I don't know that our family would have gotten out of poverty without that. So I have a great appreciation --

Matthews: Can you sing that song, Mr. Mayor?

Giuliani: However -- pardon me?

Matthews: Can you sing that song?

Giuliani: Can I sing the song? You don't want me to --

Bartiromo: (Laughs.)

Giuliani: -- you don't want me to sing --

Matthews: Work for the union label.

Bartiromo: (Laughs.)

Giuliani: You do not want me to sing a song. Everybody will run out of this auditorium if I begin singing a song. I have a terrible voice.

But the reality is that there are good unions, and there are bad unions. Our free economy is like that, and what -- you know, the UAW reached a very responsible pact the other day. I don't know that you could have gotten a solution like that if you didn't have a vibrant union. But there are ones that aren't good unions, and I think the senator is correct -- people should have a right to either belong to a union or not.

Matthews: Congressman Hunter.

Hunter: I can tell you a good union, the Steel Workers Union. When last year, Chris, we had a strike in a Kansas plant that made the tires for our humvees, I called up the president of the Steelworkers and the president of Goodyear, and within a very short period of time, they were working together, they got that thing done for the good of the country.

A union is a receptacle of power, just like management. But those folks love this country, they love their family, and they helped to build a middle class, which has been important for America and for our party. We need to work with unions to win this presidency.

Matthews: Senator Brownback.

Brownback: Sure. They've been good for the United States, I think, historically. My mother was a union member. She was a mail carrier, a rural mail carrier. She called herself a "postal packin' grandma" for a good period of time. And it helped her on health care. It helped her, I think, in some negotiations.

I think there can be abuses, and I think you're seeing some of them taking place. Department of Labor is going through and looking at some of those abuses. And I think the government has to work aggressively to see that those don't take place and that there is effective oversight, which I don't think you see during a Democrat administration. I think that is good for union members to have that effective oversight.

Matthews: Okay.

Congressman Tancredo.

Tancredo: Sam, I don't -- your mom, if she was a postal worker, believe me, she didn't need a union on top of Civil Service. (Laughter.) The fact is that --

Brownback: Don't pick on my mother. (Laughter.)

Tancredo: I'm sure she's a sweetheart.

Brownback: I love my mother. (Laughter, applause.)

Tancredo: I'm sure she's a sweetheart, but she doesn't -- she didn't need --

Brownback: Leave my mother out of this.

Tancredo: -- both, I'll guarantee you.

Really one of the problems is that we do allow civil servants to also have union benefits, and believe me, that becomes a conflict.

The creative conflict that occurs between unions and management is usually a good thing. When unions, I think, get off track is when they start to influence public policy, especially with regard to -- need I say it -- illegal immigration -- (laughter) -- allowing illegal immigration into the country, because they want to fill up their ranks.

Hunter: My mother is not an illegal immigrant.

Tancredo: Because they want to fill up their ranks. That's why they can be problematic.

Matthews: Thank you.

Bartiromo: Thank you.

Senator McCain, President Bush said GM and Ford need to produce a product that's relevant rather than look to Washington for help. Do you agree?

McCain: I'm sorry, I didn't -- we're not hearing -- we're over in the cheap seats; we don't hear very well. (Laughter, applause.)

Bartiromo: I'll repeat the question. Are you hearing me now?

President Bush said that GM and Ford need to produce a product that's relevant rather than looking to Washington for help. Do you agree?

McCain: I agree with that, but I think we in Washington have an absolute requirement to bring health care costs down. I mentioned earlier the differential between Toyota and General Motors as far as the \$1,700 worth -- worth \$200. It's our responsibility to stop the cost aspects of health care, which is endangering the profitability and the competitiveness of our Detroit workers.

So of course they have to do it on their own. But it is our job to create a climate where we have both a safe and secure Social Security system but also health care costs under control so that they can be competitive with foreign products.

By the way, there are automobile manufacturers moving in the southern part of this country, as you know, that are doing very well because American workers are the most productive in the world.

And by the way, I have a glass of ethanol every morning before breakfast. (Laughter.) But I still don't support the subsidies, and I don't think we need them. And I think we ought to have sugarcane-based ethanol into this country, and I don't think that subsidies are the answer, because I'll open up every foreign market to our agricultural products, who are the most productive and best and most effective agriculture in the world.

And all of this stuff about free trade -- my dear and beloved Ronald Reagan -- all this bashing of free trade -- he must spinning in his grave.

Bartiromo: Senator Thompson, quick follow-up there. Thirty seconds, please. (Applause.) Chrysler is facing a possible walkout on Wednesday. Should the government step in and help Chrysler and the other automakers?

Thompson: No.

Bartiromo: Why?

Thompson: Well, I think the government has to have a good reason to step in. I think it has to be something that drastically affects our economy. It might a little bit later on -- you'd have to cross that bridge when you came to it -- as something that affects our economy or our national security.

But I don't think the government ought to step in and have people know that the government will step in if they walk out an create that kind of situation.

Bartiromo: Even if they say that they are at a disadvantage to foreign automakers.

Thompson: Well, of course, they are. But that has nothing to do with the government stepping in. The government ought to relieve that disadvantage that we've got as far as foreign automakers are concerned, make them open up their markets and make certain markets quit devaluing their currency. That's where the pressure needs to be applied.

Matthews: It took a long time. He said no; he should've stopped there. (Laughs.)

Anyway, Mr. Mayor, let me ask you about --

Thompson: Well, then that's your opinion, Christopher. (Laughter.)

Matthews: Okay, let's go to the police. How would you police the Internet culturally, Mr. Mayor?

Giuliani: Pardon me?

Matthews: How would you police the Internet culturally -- you know, the whole questions about the stuff that's going on -- predators, that sort of thing --

Giuliani: Sure. I think it's a very, very --

Matthews: -- pornography. How do we do it?

Giuliani: I think it's the new serious area of crime that's emerging. I think that -- first of all, let's separate the economics from the safety and security, like we have to do with free trade agreements; that we should not tax the Internet. There are people who are proposing taxing the Internet. That'd be a really, really big mistake.

We should police the Internet in that we should make sure that child predators aren't taking advantage of the Internet, which they seem to be doing.

There are a lot of good state and local law enforcement efforts in that regard. I think a task force between the federal government and state and local governments, in order to police it,

to share information, to make sure it isn't being misused, to make sure it's protected -- I think working with -- one of the businesses that I have familiarity with is a business that I had some involvement with back in -- we sold it -- but they attack from the outside Internet systems in order to determine whether they can be penetrated. They also can set up protections against child predators, against pornography. Those are the kinds of things that we have to do.

It should -- it's a new area and a growing area of law enforcement. And I think that there are -- some of the task forces that have been developed have done some really good work in policing it.

Matthews: Should we have an FCC-style agency for the Internet?

Giuliani: If it becomes worse, I mean, if this situation becomes worse and we're not getting control over it with the agencies that we presently have -- I'm not big on setting up new agencies. I'm sort of bigger on making the ones that we have work. That's how I reduced crime so effectively in New York. I didn't create a new agency. I made the ones that we have work, work better.

I think the FBI, I think state and local law enforcement, I think some of these Internet protection groups that you can track with -- I think they can do the job. If they can't, well, then you take a look at it.

Bartiromo: And Senator McCain, you're saying no, absolutely not. Very quickly.

McCain: Absolutely not, but I also want to point out this Internet child pornography is a terrible evil. It's got to be addressed. And everybody knows the way you stop it is go after the money.

Bartiromo: We'll take a short break, and then when we come back, our lightning rod (sic) segments.
(Applause.)

(Announcements.)

Matthews: We're back with a lightning round. Gentlemen, it's 30 seconds to respond. Just one person per question.

Governor Huckabee, the first one. President Bush last week vetoed a plan to expand health coverage for millions of lower-income children and in part because he says the 35 billion (dollars) it will cost over five years is too expensive. Would you have vetoed the bill, the SCHIPs?

Huckabee: First of all, I really would love to have had one of those minute-and-a-half questions with a 30-second follow-up, but since you're only giving me 30 seconds, let me do the best I can.

Matthews: (Laughs.)

Huckabee: The president was caught in a tough political battle. The Democrats won the political battle. Unfortunately, the issue wasn't about children; the issue was about political posture. And the reality is you're going to create a huge problem for the Medicare Advantage Plan and shortfall that, and many of the kids who will be covered under the expanded SCHIP are people who already have insurance -- will be coming out of their insurance programs.

But the president was in a very incredibly tough position because 75 percent of the American people -- if I were president, I would never let that get to the point where that's the only option you have. You ought to make sure that you communicate to the American people --

Matthews: But if it got there, would you have vetoed, Governor?

Huckabee: I'm sorry?

Matthews: Would you have vetoed, it was handed to you, that bill?

Huckabee: You know, I'm not absolutely certain that that's going to be the right way because there are going to be so many issues we've got to fight, and the political loss of that is going to be enormous.

And I just believe this. One thing we've got to remember: There's a real problem in the health care issue where Democrats say they want the government to control it.

Republicans say, we want private insurance to control it. Some people want the businesses to control it. Let me tell you what the real answer is: letting individuals control their own, and let them own it. (Applause.) That's the real need, because I don't trust government and I don't trust the insurance companies. I trust me with my health care.

Matthews: Thank you.

Maria.

Bartiromo: Thank you, Governor.

Governor Romney, Arab Americans are feeling a bias after September 11th from their fellow Americans. Since we're in Dearborn, Michigan, one of the largest Arab Americans -- populations in the country, how would you change that?

Romney: Well, of course, we remind people that this is a nation that recognizes the equality of all individuals. We welcome people from all nations to come here. We also want to make sure that our nation is kept safe. And we're going to pursue any avenue we have to to assure that people who might be preaching or teaching doctrines of hate or terror are going to be followed into a church or into a school or a mosque or wherever they might be.

But we welcome people of all backgrounds and faiths, and we don't discriminate against people based on those things. The countries that we're battling around the world -- they're the ones that distinguish based on those things, and we don't. And we of course welcome Arab Americans here in Dearborn and in places across our country.

Bartiromo: Senator Thompson, what are the dangers of a weak dollar?

Thompson: Dangers of a weak dollar is that it will damage us internationally. We've got to have a strong dollar because of the creditors that we have there. It helps our exports to a certain extent now, and we're enjoying that part of it.

But any president of the United States has to stand behind a strong dollar. The whole world needs to know that we are good for our obligations.

Matthews: Mr. Mayor, Hillary Clinton says that one of our biggest economic threats right now is how much of our federal debt is owned by foreigners, owned overseas. Do you agree?

Giuliani: Actually, the concern there should be the way to balance that is to sell more things overseas. That's the usual Democratic pessimistic approach to -- you know, how bad things are and how terrible things are. How about we try an optimistic approach? The way to balance the books is sell more overseas. Sell energy independence. Sell health care. Let's do it like a -- in a positive way.

Matthews: Senator Brownback, who would be your top economic adviser, your ideal adviser for economics?

Brownback: (Pause.) I like the former chairman of the Federal Reserve's thoughts that he has, would be a key individual. There would be -- I think you'd need to get really an amalgam of people on economic issues. You know, you talk about having -- economist says on this hand, it goes this way, on that hand it goes this way, and so they always are saying they're looking for a one-handed economist. I think on economics, because the things do move around on you, you need a number of people. There's even a pretty good one in the audience in Phil Gramm, the former senator out of Texas.

Bartiromo: Senator McCain, has Federal Reserve Chairman Ben Bernanke cut interest rates aggressively enough?

McCain: (Off mike.)

Bartiromo: Has Ben Bernanke cut rates aggressively enough?

McCain: I'm not -- don't have that kind of expertise to know exactly whether he has cut interest rates sufficiently or not, and that's why we've put that responsibility in the hands of the head of the Federal Reserve.

I do know that this nation has faced some pretty good blows in the last month or so with the credit crunch and the subprime lending. I'm glad that -- whenever they cut interest rates. I wish interest rates were zero. But we leave those responsibilities to the smartest people we can find, and I think that so far, he's done a good job.

Matthews: Congressman Paul, do you promise to support the nominee of the Republican Party next year?

Paul: Not right now I don't, not unless they're willing to end the war and bring our troops home, not unless they're willing to look at excessive spending.

McCain: You don't want me then, pal.

Paul: No, I'm not going to support them if they continue down the path which has taken our party down the tubes. I mean, we've lost credibility because of all our spending, because we have violated the civil liberties of all the American people, and we have adopted the Democrats' foreign policy.

Why don't we run on George Bush's foreign policy of a humble foreign policy and no nation building and don't police the world? Then I'll support them.

Matthews: Okay. Let me try that by a couple of gentlemen on the right over here. Mr. Tancredo, would you pledge now to support the nominee of your party?

Tancredo: You know, I've said I don't know how many times that I am absolutely tired and sick and tired of being forced to go to the polls and say I'm going to make this choice between the lesser of two evils. I really don't intend to do that again.

I am hoping, of course, that whoever we nominate will be the principal flag carrier for the Republican Party, but if that is not the case, no, then I will not.

Matthews: Senator Brownback, same question. Would you support the nominee before you know who it is?

Brownback: You know, I will support the nominee of this party. I think it's a big party that has a lot of different people and a lot of different philosophies, and I believe that person that's going to lead the party will be somebody that is pro-growth and pro-life. I think these are two pivotal, key foundation issues that this party needs to stand for. (Applause.)

Matthews: But if not, if they are not, would you still support them?

Brownback: (Off mike) -- it's going to be, and I'm going to support the nominee of the party.

Matthews: Congressman?

Hunter: Yeah, I would support the nominee of the party, but also work with whoever that nominee is to make sure that they understand that the Republican Party was built on a respect for human beings, and I think if we lose that respect and that protection for unborn human beings, then the party that Abraham Lincoln founded will be no more. (Applause.)

Matthews: Okay, thank you.

Bartiromo: Mayor Giuliani, is London going to replace New York as the financial capital of the world?

Giuliani: Pardon me?

Bartiromo: Is London going to replace New York as the financial capital of the world, and if so, what are you going to do to change that?

Giuliani: (Laughs.) No how, no way. It's not going to happen. It's not going to happen.

(Applause.)

Bartiromo: Well, we're seeing an increased number --

Giuliani: Come on.

Bartiromo: We're seeing increased amounts of business go to London. (Cross talk, Laughter.)

Giuliani: Let's stop all this stuff with our head down. London going to replace New York? Give me a break. Of course, London's not going to replace New York.

Bartiromo: Well, the number of IPOs is higher in London in '07 than in New York.

Giuliani: Or is the U.K. going to replace the United States of America? This is the strongest economy on earth. It's the last best hope of humanity. We have been like that. If this generation can't keep it that way, shame on us. This country is the leader in the world. When Congressman Tancredo talks about the immigration problem, how about -- look at it this way.

What country do millions of people want to come to -- the United States of America. What country -- I don't care if they bash us all over the world. What country do they most want to come to? What country do they most want to copy? What are China and India trying to do? China and India are trying to develop themselves to be like us, which is why we've got a heck of a lot we can sell to them, if we just put on our entrepreneurial hats and act like confident Americans.

Bartiromo: So how do you explain the loss of business in New York going to London? How do you explain some companies complaining about Sarbanes-Oxley and complaining about -- (inaudible) -- society in America?

Giuliani: Well, I explain it based on some of the mistakes that we make when we overregulate and we overtax. Our corporate tax rate is the second highest in the world. The president of France wants to lower the corporate tax rate.

Everybody around the world wants to lower corporate tax rates but the leading Democratic candidates, who want to raise taxes 25 or 30 percent. (Applause.) That would be a disaster for this country.

Bartiromo: Governor Romney, same question.

Romney: Is London going to replace New York? Of course not. Should we fix Sarbanes-Oxley and take out Section 404 as it applies to smaller companies? Of course we should.

Is this country the hope of the world? Absolutely.

And would I support the Republican nominee? Of course. I want that nominee, however, to come out of the same mold as Ronald Reagan. And that's somebody who is strong for our military, strong for our economy and strong for our family values.

And by the way, in terms of supporting these guys -- (applause) -- I'd -- you know, I've come to know these people now over these debates. How many -- is this our sixth debate, I think, something like that? And this has a lot -- this is a lot like "Law and Order," Senator. (Laughter.) It --

Matthews: Okay, thank you.

Romney: No, it has a huge cast, the series seems to go on forever --

Matthews: Okay.

Senator --

Romney: -- and Fred Thompson shows up at the end. (Laughter, applause, cross talk.)

Matthews: Senator --

Thompson: And to think I thought I was going to be the best actor on the stage. (Laughter.)

Matthews: Okay. Let me ask you, Senator -- this is the first presidential debate up near the border. We're only a few minutes from the Canadian border. We're surrounded, in fact very close to our strongest trading partner. We buy more from Canada than we do from China. We sell them about four times as much as we buy from them.

They're incredibly friendly with us, although they don't share our foreign policy. Tell me about the prime minister of Canada, how we can get along with -- who is the prime minister of Canada?

Thompson: Harper.

Matthews: Okay. Tell me about him.

Thompson: Prime Minister Harper.

Matthews: What are relations going to be? We always ignore that relationship.

Thompson: Well, I've never met him, but our relationship is fine. (Laughter.)

Matthews: Just leave him alone. Just leave it alone. I mean, my point is, our friends don't get much attention. Do you have any thoughts?

Thompson: Well, our friends ought to get plenty of attention. I mean, the challenges that we're going to face internationally, especially in the future, are going to require our working better with our allies and realizing, for example, that in the global war on terror, this is a (fight ?) by the forces of civilization against the bad guys. And everybody's got a stake in it, whether they realize it or not.

So, certainly we ought to work with Canada economically. We -- we -- we get more oil from them, I guess, than anybody. And they have more potential oil to sell than an awful lot of people. So they're important economically, and all of our allies are important for our national security.

Matthews: Okay. Thank you, Senator.

Bartiromo: Government Huckabee, how do you fix airline travel in this country, and how do you pay for it?

Huckabee: Well, as president, that would be one of the first things I'd like to do, since I've spent most of my year on an airline this entire time. (Laughter.) First of all, we've got to have the kind of technology on the ground that we have in the cockpit. We've got Jetsons-level technology that's running the cockpit; we have the Flintstones technology on the ground that's controlling the airplanes. (Laughter.) And it's ridiculous.

And the second thing, we've got an incredibly archaic method of the controls where you have incredible traffic coming in to key hubs. I don't want to re-regulate the industry, but the industry's going to have to start either getting in the program -- and one thing they've got to stop doing is holding the passengers hostage on airplanes for hours and hours without any way of being able to get off those planes. And part of it, I think, is let's make sure that the consumer gets a voice in what happens. And it's out of control --

Bartiromo: Thanks, Governor.

Huckabee: -- and it's got to be a priority.

Matthews: Senator McCain, this is close to your heart. How would you catch bin Laden?

McCain: I would establish an organization not unlike the OSS in World War II. People who are smart, people who are tough; people who are used to operating independently, and the smartest and most talented people I know. And I would let them loose, and I'd say find this guy and do whatever is necessary to get him.

By the way, supporting the nominee to the party, of course I would support me.

Matthews: (Laughs, laughter.)

McCain: The president of France is a pro-American. I'm glad he's doing what he's doing, and it shows that if you live long enough anything is possible. (Laughter.)

Matthews: Maria.

Bartiromo: Governor Romney, what -- (interrupted by cheers, applause).

Bartiromo: What -- Governor Romney, what is the greatest, long-term threat to the U.S. economy?

Romney: Our sense of optimism. America has to be optimistic and recognize that there's nothing we can't overcome. We face extraordinary challenges, absolutely. We face jihadism, the emergence of Asia as a competitor, our overspending, our overuse of oil, the failure of our health care system, and yet we can't be burdened down with that. We have to recognize that what we have as Americans is the envy of the world. We have technology, we have innovation, we have great schools, we have great families, we have great homes; what we need to have is leadership that'll tell us the truth, lay out the vision of where we can go and actually lead, and I want to be able to do that for America.

Bartiromo: Very quickly, Senator Brownback.

Brownback: The breakdown of the family is our biggest long- term problem we have. You've got 36 percent of the children born out of wedlock in Detroit --

Bartiromo: Greatest economic threat.

Brownback: Yes, on a long-term basis. Because if you don't start children -- and you can raise a good child in a single-parent family. You can do that. But we do know by the broad numbers that the best place is between a mom and a dad, and in our inner cities, you're looking at 65, 70 percent of the children born out of wedlock.

You know, your best way to solve your education, your crime rate problems, your drug problems is to get more children in that stable environment. It's a tough issue. This is a tough issue. But long term, I think that's our biggest problem.

Matthews: Mayor Giuliani, would it be good for the country, for the voters of the country, to have a third-party option?

Giuliani: Well, we've had third party options. I think our two-party system has served us well. I think that generally is the way our democracy operates. I'd like to point out that I think the biggest economic problem we face long-term is our education, our K through 12 education. (Applause.) If we can reform that and change it around choice, I think there's -- the sky's the limit for the United States, and I think there's a looming problem with Canada that you missed.

If we do HillaryCare or socialized medicine, Canadians will have no place to go to get their health care. (Laughter, applause.)

Bartiromo: Senator Thompson, Senator Thompson, this was your first debate. How did it feel?

Thompson: Just like home. (Laughter.) I didn't say which kind of home.

Bartiromo: Do you regret waiting so long?

Thompson: No, I don't think I waited too long. It seems about right to me. (Laughter.) I've enjoyed --

Matthews: Are we out of questions?

Thompson: I've enjoyed watching these fellas. I've got to admit, it was getting a little boring without me, but -- (laughter) -- I'm glad to be here now.

Bartiromo: Our thanks to the audience today. Our thanks to the candidates. Gentlemen, thank you very much. (Applause.)

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