



GEORGE W. BUSH ORAL HISTORY PROJECT

FINAL EDITED TRANSCRIPT

INTERVIEW 4 WITH JOSHUA BOLTEN

February 9, 2018
Washington, D.C.

Participants

University of Virginia

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Riley: All right. We're here with Josh Bolten, and we were talking about the preparation for this interview. You were saying that you had looked, last night late, at the President's memoir and Hank Paulson's book.

Bolten: I knew we would be talking about the financial crisis today, and whatever else you want to talk about.

Riley: I think we're set for that.

Bolten: I think Hank's book is really a superb chronology, from the perspective of the administration, of what happened in the financial crisis, and it's partly so because of Hank, who is a very thoughtful and organized guy, despite the way he may sound at times, and because he conscripted the folks who were closest to him at the Treasury, and a few of us with whom he interacted a lot during the financial crisis. He conscripted all of us to help him on it, and it wasn't just review a text after the fact. He took those Treasury people and put them in a room and they went through, day by day, what happened, who remembered what, who had what record of a meeting, and so on. So for historians, I think his book ought to be regarded as not just a useful resource, but a very credible and exact report of what it was like from the inside of the administration. The other thing is that Hank is a scrupulously honest and direct person, and the book—My recollection of the book is that the book is true to his character.

Riley: That's terrific to have on the record, because people are always wondering, of the accounts that are out there, which resonates and which don't. Barbara and I both interviewed Paulson, and in preparation for that we read the book, and I reread it for this.

Bolten: Oh, you reread the whole book?

Riley: Reread the whole book.

Bolten: Oh, good, all right, good. You can refresh me. I wish I'd had time to reread it, because it's a compelling story, isn't it?

Riley: Yes, it really is.

Bolten: Who would think that Hank Paulson's book would be a page-turner? But it is.

Riley: I don't know. You would have a better answer for that than I would. I didn't know Hank beforehand, so I knew him as an author first; you didn't. Exactly. We thought we would get started by asking you a question, because when we talked last time, we agreed that we would set

aside this final session, or what we think will be the final session, for the financial crisis. The way we got into it led me to believe that maybe you have your own account or narrative about what was going on that you would like to talk about, and if that's so, the easiest way for us to get into this would just be to ask you to tell your story about it. Now, if I'm interpreting that incorrectly, we can go about it another way, which is just by asking you the questions we would normally ask you, to try to tease out what it is that we think we'd like to know. I don't want to get in the way of your narrative, if you have a narrative, of how this unfolded and what the critical decision points were, to borrow a phrase, and importantly, what your own role was in all of this.

Bolten: Well, I do have a view of it, but I think it will probably come out best in the ordinary questions you would ask. I think the most important role I played in the resolution of the financial crisis was in recruiting Hank Paulson. Have we talked about that?

Riley: I don't remember, so let's make sure that we do talk about it. Go ahead. Sorry about that.

Bolten: President Bush brought me in. He asked me to replace Andy Card in March of 2006 and I took over in April of 2006. I always felt that he asked me to come in as a way, as a mechanism, to refresh and reenergize an administration, and certainly a White House, that after five years was probably getting worn out. Now, it was a little bit odd to pick somebody who had been there not just for the preceding five years in the White House, but also two years before in the campaign. But I think often just changing people's seats and putting different people in charge has an energizing effect, and I thought that was part of what the President was looking for. I felt, from the beginning, that a significant part of my role, therefore, should be the refreshment of the highest levels of government, in the important positions. So I fired our press secretary. I think we talked about that. I shuffled around some of the White House positions. We made some changes in the Cabinet. I urged the President to replace his CIA [Central Intelligence Agency] director. I can't remember whether we talked about that.

Riley: That piece I don't remember either, Josh, forgive me.

Bolten: All of that was in the early weeks of my tenure. Even before I took over, I recall the President asked me what I thought needed to be done with the Cabinet, and I told him. One of the things I told him was that, though I liked and respected John Snow as Treasury Secretary, I thought he was nearing the end of his runway, number one, and number two is that I had a fairly strong conviction that we would not survive the final three years of the Bush Presidency without a financial crisis, and that John Snow, being a corporate leader but not a financial markets person, was ill suited to be in the role of Treasury Secretary through a major international financial crisis.

Barbara Perry: And Josh, what was your sense of why you thought that would happen?

Bolten: No President ever went eight years without a significant international financial crisis. That may be fractured history, but it's what I believed, or the country really had not gone eight years without a financial crisis. Everything else had happened in the Bush administration, other than being hit by a meteor, *[laughter]* but we had not had a major international financial crisis.

I'd like to give myself credit for prescience, but the crisis we had was not at all what I was thinking of, so I was right to expect a crisis but I was completely wrong on what I was expecting.

I was expecting a monetary crisis along the lines of the Mexican peso crisis that occurred during the [William J.] Clinton administration, or during the [Ronald] Reagan administration, or the dollar crisis, and the Plaza Accords, I was expecting that kind of thing. Regardless of how I came to that view, probably just serendipitously, or if serendipitously is too unkind to me, having expected the wrong kind of crisis, my intuition turned out to be correct, that there was a financial crisis coming, and that it would be important to have somebody who was respected, not just in the United States but in international financial markets, as the Secretary of the Treasury. I'd always felt that the Treasury Secretary's job is certainly a critical one in the government, in the Cabinet, but for my service in government, I knew that the Treasury Secretary, in normal times, actually has relatively few responsibilities and powers.

I remember when I was—This is a detour. I remember when I was budget director and a friend of mine from my days at Goldman Sachs in London came to visit me. He was very sophisticated about finance, he was very sophisticated about governance, but he misunderstood U.S. government, because he came to me in my office at the Budget Office and said, "So what does the budget director do?" I told him, and he said, "Well, then, what does the Treasury Secretary do?" And a light went off with me, which is that the powers that normally make finance ministers in other countries significant and potent figures in their systems, most of them resided in the budget director. The Treasury Secretary's role was public facing; it's more hortatory, more a sense of confidence in the stewardship of the largest economy in the world. So I took that very much to heart in thinking about President Bush's Cabinet, as I was to become Chief of Staff, and I said I think we need to replace John Snow, who was, I believe, getting ready to go anyway.

So I set about recruiting on Wall Street for a Treasury Secretary. At the time that we appointed John Snow, we had looked at folks from Wall Street to be Treasury Secretary, but that was in the wake of, or maybe in the midst of, the Enron crisis and so on. The financial markets' wizardry was in very low repute, and so we advertently steered away from Wall Street and toward a corporate executive. I was now doing the reverse and thought the politics of that would not cause even a ripple by 2006, and that was true.

I began to recruit on Wall Street and largely on my own, with a little bit of help from the Personnel Office, but largely on my own, I began, not literally, but figuratively knocking on doors of the titans of Wall Street. We didn't make it a regular kind of search, because first, I felt, and President Bush certainly felt, that confidentiality was critical. In fact, that was always a challenge with President Bush, that he never wanted to replace a senior official unless and until he knew that whoever was going to be taking that official's place was somebody that he would be comfortable with. So that certainly made firing anybody pretty difficult, because if you don't—Usually, if there's no vacancy, you have trouble recruiting. That was a challenge with the Secretary of Defense, which I believe we talked about.

Riley: We did talk about that.

Bolten: The President had, for many months, been prepared to see Secretary [Donald] Rumsfeld go, and had accepted the advice from several of us that it was time, but was not prepared to do it

unless and until there was an adequate replacement put in place. And on a much lower scale, the same was true of the Treasury Secretary. So I set about the task with advice and some assistance from our Personnel Office, which was very ably staffed. I think at the time Liza Wright was the head of it, but I thought it was a more personal sort of thing, so I contacted the likes of Ken Chenault at American Express and Charles Schwab, and John Thain, who at the time was head of the New York Stock Exchange, and several of the other titans of Wall Street, some of whose names I've now forgotten, to see would they be willing to be considered for Treasury Secretary.

The folks I chose to contact were people of whom I had asked, of the other contacts on Wall Street and our economists and so on, "What's this person like? What's that person like?" I had already had some exposure to some of them. Several said no right off the bat, including Ken Chenault, who I had thought would be a very strong choice, in part because he had a public profile of deep respect across a lot of areas. He was also not known as a partisan of any kind, and he may have been a Democrat for all I knew. But I thought that particularly with President Bush struggling in his own popularity due to the Iraq War, that a relatively nonpartisan person would be right for the role, or at least somebody who was comfortable reaching across the aisle. I thought Ken would be very good at that, and I'd had a little bit of exposure to him in various business fora, but he said no pretty quickly. I don't even know if he did one of those, you know, "Let me talk to my wife" things. He may just have said no, and you couldn't blame him.

At the time I was making these approaches, it was the spring of 2006. Here was a pretty unpopular President, with the war in Iraq going badly, who had not quite even three years left in his term, and with relatively little prospect of pushing major victories across the finish line in the succeeding three years, both because of the partisan environment and because much of what was on the President's economic agenda had either been accomplished—say, tax reform, some such things—or had failed, like Social Security reform, and was unlikely to be resurrected. So it was kind of a tough sales job.

Riley: Is any of the pushback you're getting because people are having the same anxieties you are, that something bad could happen and they don't want to be on the hook?

Bolten: No, I don't think so. I used that as a salespoint. You know, one of these folks would say to me, "Yes, but what is there to do?" And I would say, "We need someone of your wisdom and stature to guide us through the next financial crisis, because we're not likely to make it through 2008 without a financial crisis."

Riley: Is that right?

Bolten: So I used it overtly as a selling point, and appealing not to their instincts about what's likely to make a pleasant job, but to their instincts about patriotism and the reason to serve. All of these people are making tens of millions of bucks, sitting atop the world on Wall Street, which at the time was prosperous to say the least, so they would be making major sacrifices to drop out at the height of their power and influence for what they considered to be possibly a dead end.

In the end, I concluded that, regardless, the best candidates for the role were either Hank Paulson or John Thain, both of whom I had known a little bit at Goldman Sachs. I barely met Paulson

when I was at Goldman Sachs, but I had gotten to know Thain because he and I overlapped in London for a while. He was a big cheese, I was not.

Riley: I have to inject right here, so I don't forget. I had lunch with Gene Fife on Tuesday.

Bolten: Gene Fife.

Riley: He sends his warmest regards.

Bolten: Thank you very much, warm regards back.

Riley: I will do that. So forgive me, but I thought if I didn't do this now I'd forget.

Bolten: Well, and let's bring Gene Fife into the story. Gene Fife is the one who brought me to London in the first place, but then after he retired, among those who followed him as the senior leadership of Goldman Sachs in London, John Thain was the most prominent.

Riley: Is that right? OK. That, I wouldn't have known.

Bolten: Different sorts of roles.

Riley: Right.

Bolten: There were a few senior characters in the office, and for a couple of years, John Thain was one. At that point, he was head of the New York Stock Exchange. He was in the process of pulling off a merger with one of the European exchanges, and I think was interested in public service. I think he felt that heading the Stock Exchange was a public service, but felt that he was probably better off seeking to do his service later. Hank, in my conversations with him, just didn't quite see the point.

Perry: And he had turned down, had he not, offers?

Bolten: From me, twice.

Perry: Yes. So he was just repeating, presumably, his objections.

Bolten: Well, I went to him—I went through John Rogers, kind of the chief of staff at Goldman Sachs, who had served in government and whom I knew. I went through John, to have him work on Hank, but Hank, his reaction—You know he's a doer. He was very skeptical about what is there to do? I think it was a subsidiary factor, but he was also concerned how his family would react to him going to work for George W. Bush. Even though he's a Republican, most of the rest of his family is not and took a dim view of Bush. There's a lovely vignette in his book about his mother calling him weeping when he let her know that, or it was announced that he was going to work for George W. Bush. *[laughter]*

But yes, Hank said no and he said no twice. I got him really close once and I got him to agree to come visit with the President, because I was sure that if you—You know, anybody who sits with George W. Bush cannot help but be impressed, and most of these folks knew him a little bit but

were operating off of the cartoon version of Bush that ended up being displayed in most media. I felt confident that if I could get Hank, or some of the others I was recruiting, if I could get them in the presence of the President, that we would get them onboard and that they would find great satisfaction, not just in serving as Treasury Secretary, but in serving this President.

But that was a difficult task. In fact, I had an appointment for Hank to visit the President secretly, in the Residence, and John Rogers apprised him, correctly, that you really don't want to go visit the President and say maybe, that you don't go visit with him unless you're prepared to say yes. And so Hank, having been educated on that point, called back and said, "No, I can't come, because I'm probably not prepared to say yes," and I said, "OK, I understand that." And of course the President doesn't like to visit with somebody unless they're going to say yes, [laughter] so I was in yet another one of those personnel conundra.

So we let it go, the President said let it sit, but we did invite Hank to a state lunch for President Hu [Jintao] of China, and that was Hank's really keen interest. It had been as leader of Goldman Sachs, and I could tell it was the one area where, when we talked about what he might be able to do as Secretary of the Treasury, to lead to a new era of economic relations with China, I think he thought was a meaty and worthwhile undertaking. So we had him come to the state lunch, and we put him at a really good table. When I told him Hank was going to be there, President Bush asked me, "Do you want me to lean on him about the Treasury Secretary thing?" And I said, "No, do the opposite." Just say, "I understand. I know Josh has been talking to you and I completely understand. I'd love to have your support in whatever way possible," which he did, and I think that was the right psychology with Hank, which was not to try to pressure him. I think the Hu lunch got Hank's juices flowing.

Riley: Was the Mrs. with him at that lunch, do you recall?

Bolten: I don't. Wendy [Paulson]? I don't recall.

Riley: I'm sure he says in the book, so I'll check on it, OK.

Bolten: Yes, I don't recall. Anyway, we had another conversation after the lunch and we reeled him in. He came to my office on a weekend and he presented what I could tell he thought was a list of difficult and nonnegotiable demands. I don't remember exactly what they were and it may be reflected in his book, but it was like he needed to be the principal economic spokesman for the administration and my reaction was, "Yes, that's what we want." [Riley laughs] But I said, "I think the President can agree to that," and he said, "Now there's an economic lunch, an economic policy lunch, that's hosted—a weekly lunch that's hosted by the head of the National Economic Council and chaired by him, and that should be me." So, I thought *OK, give up the head seat at lunch*. I said, "OK, I'll need to talk to Al Hubbard, but I'm sure he'd be—I'm sure when I tell him, he'll be onboard." There were a couple of other things like that, which were mostly in the nature of him wanting to be assured that he was the senior economic official in the administration.

Riley: Right, right.

Bolten: There was reasonably good reason for him to be skeptical about that, because the two predecessors—Paul O'Neill basically wrote himself out of being the senior economic official by,

candidly, peculiar behavior. John Snow was not a dominant force on the full range of economic issues, and so there was—Hank had reason to be skeptical about the role he could play, but I think what he didn't fully appreciate was that I was recruiting him because we wanted a Hank Paulson in the Treasury Secretary job. So his nonnegotiable demands were my requests, so it was a pretty—

Riley: If he reads this, he's going to be really pissed off at you.

Bolten: Yes, he probably will be. We may have to seal this. *[laughter]* Anyway, so then he went to see the President, they hit it off great, and this is the start of a really excellent relationship between two good leaders. He took the job, and early on he set about a variety of important tasks, one of them being to establish the strategic economic dialogue with China, which I think was useful and fruitful, but also to begin to address some financial markets issues. He took a keen interest in the reform of our GSEs [government-sponsored enterprises]. I think, little did he know at the time that he was going to be involved in some radical reform, because they were going to be the leading edge of the—in precipitating the financial crisis. So he was a good and solid Secretary of the Treasury through and beyond the time of the financial crisis. I always felt that my recruiting Hank was maybe among the most important contributions I made to the entire Bush administration.

Riley: Sure. Let me ask you, on policy, because you had this sense that there could be something looming out on the horizon, were there policy things that you were doing to troubleshoot the economic environment that you're dealing with at this time, or are the threats so vague that you—that there's not really anything much to do in that regard? It's really hard now to look back and not see things coming.

Bolten: Yes, but we didn't.

Riley: Right. I say right, that's the question. You didn't see it coming.

Bolten: No. That's what a good White House economic, or a good administration economic policy staff, should be doing every day, and there were people doing that. Our head of the Council of Economic Advisers, our eventual head of the National Economic Council, Keith Hennessey, from early on, they were very concerned about the stability of Fannie Mae and Freddie Mac, and the impact that stress on them could have on the overall housing finance system. So yes, they saw those things, but they were the kind of problems that had been seen for 10, 20, 30 years.

Riley: Right.

Bolten: They'd never seemed intractable, in either their substance or their politics. In the case of the GSEs, more politics than the substance. And so, it was not as though somebody said, "A-ha, Fannie and Freddie are dangerous." That was an article of faith among many economic conservatives, but there had never been a good mechanism for achieving a legislation that might roll back their danger. So, the short answer to your question is not really, we didn't see it coming.

Riley: No, OK.

Bolten: When I said I saw a financial crisis coming, I was looking in entirely the wrong direction.

Riley: In the wrong spot, yes.

Perry: And Paulson says the same in his book, and he also talks about this Camp David meeting, in August, just after he comes onboard in July, and so I was wondering if you recall being there.

Bolten: Refresh me on the meeting.

Perry: OK, so he says—

Bolten: I probably was there.

Perry: Right. August 17, 2006, he had come onboard in July, I think he says, with Ed Lazear, Rob Portman, Al Hubbard, and Keith Hennessey, and he says just what you're saying, that he also had this fear of just the periodic upsets in the markets. They're bound to catch up, he said, every six to eight years. But he says that he was also concerned now, at this point, about hedge funds, private equity funds, these OTC [over-the-counter] derivatives, and then he says, "I think there's too much risk in the financial system," and he quotes President Bush as saying, "How did this happen? And how much is just speculation?" So I guess my first question is, do you recall if you were at that meeting?

Bolten: I was.

Perry: Is that the first time that the group of economic advisors is hearing more than "This tends to happen every six to eight years, or it could happen abroad with a monetary crisis, so let's get ready"? It sounds like what he's saying is that is the first time that the President was told, "Here are some specifics that Hank Paulson is worried about in the financial markets."

Bolten: Yes, it may have been the first time that the President was told in those kind of terms, but among folks like Eddie Lazear and Keith Hennessey, that would have been a regular and ongoing conversation. The economic advisors lunch that was chaired by Al Hubbard, and then by Paulson, that would have been the kind of subject that was discussed there, so it was inchoate, it was possibly remote.

Perry: And so it didn't rise to the level that you would bring it to the President.

Bolten: Yes, you wouldn't rush to the President and say, "The TED [T-bill and Eurodollar] spreads look bad," or something like that, because they didn't. It was a creeping crisis that in retrospect was quite visible, but at the time was not visible, or at least how the crisis would manifest itself was not visible.

Riley: Do you recall at what time it does start becoming visible to you? My understanding from all these conversations is in your position at the White House, you're getting reports every day of problems, of which a small portion of them metastasize and become really, really severe problems and the rest of them you just sort of manage, right?

Bolten: Yes, and most of them had nothing to do with the economy, which seemed to be moving along reasonably nicely. Now, inflation was higher than we wanted, unemployment was higher than we wanted, but it was basically a decent economy. I think growth was pretty good, budget deficits were pretty damn small. I think by 2006, the budget deficits may have been down below 2 percent of GDP [gross domestic product]. So, no, as Chief of Staff—I mean, there was always anxiety about something bad happening in the economy, but there were not obvious signals of it and it was not the preoccupation of the day. So this conversation at Camp David, which I do remember now, was a good conversation, I think somewhat eye-opening to Bush. It was not entirely new but it was also not specific. It would be kind of in the mode of terrorism.

President Bush had a briefing pre-9/11 that said al-Qaeda is dangerous and trying to attack the United States, and now the critics point to, “He was warned!” that kind of thing. Yes, he was told that there’s a group called al-Qaeda out there and they’re trying to harm the United States, and that was about it. It’s not as remote in the economic sense, but the kinds of warning signs that were out there had been out there before, many of them building for quite some time, and with no one able to say, with any confidence, what the risk actually was, and more importantly, what to do about it.

Riley: Right.

Bolten: So, it was a good conversation that I recall, but I do not recall a specific anxiety about the stability in the financial markets until Bear Stearns collapsed. Barbara, you’ll have to refresh me on when that was.

Perry: So that’s March of ’08.

Bolten: I need to retrieve my briefing book and your timeline, which was terrific, and a great way to organize thoughts about it. Anyway, exactly, my preoccupation as Chief of Staff at that time was, well, a variety of things. Iraq was first; it was going very badly in 2006, at the time of that conversation. The President was struggling with a new strategy and was basically headed toward doubling down, as we’ve talked about.

Riley: The surge.

Bolten: The surge—as against the advice of many of his national security advisors and probably a majority of the Pentagon—so helping him navigate that was a preoccupation, and certainly the situation in Iraq was a preoccupation in the press and in the politics.

Riley: Sure.

Bolten: I think the severe drubbing that Republicans took in the 2000 election was a product of many more things than Iraq.

Perry: 2006, the midterms.

Bolten: 2006, yes, midterms, yes. A product of many things other than Iraq, but Iraq was by far the largest thing. So it was both the substantive and political preoccupation of my, certainly the

first year or so, tenure as Chief of Staff, but there were other things going on too. The President felt keenly about immigration reform.

Perry: Now, you were working really hard on that, as I recall. Comprehensive immigration reform.

Bolten: Comprehensive immigration reform of a kind very similar to what President [Barack] Obama subsequently sought to get through the Congress in, what was that, '12 and '13, something like that?

Perry: Yes.

Bolten: So that was a big deal, substantively and politically.

Perry: Right, so that was '06 and '07.

Bolten: Right.

Perry: That was being worked on with Members of Congress who were open to that, on both sides.

Bolten: Right, right.

Perry: Very bipartisan.

Bolten: Yes. Did we talk about this earlier?

Riley: Yes.

Bolten: OK, we did. Our equivalent of building the wall was—

Riley: Oh, you mean immigration. I don't recall.

Perry: I don't either.

Riley: I just don't recall.

Bolten: Do you want to take a detour on that?

Perry: I think, let's make sure we get through, since we had set aside these two hours for the—

Riley: —financial crisis.

Perry: And then if we have time, we can—I'm going to make a note—circle back to that.

Bolten: OK. So, those were the preoccupations, not the economic issues in particular. Those didn't drive the 2006 elections. They weren't the dominant issues of daily White House—

Riley: Sure.

Bolten: —initiative and firefighting.

Perry: I'm noticing here, Josh, so February of '08, it says President Bush signs \$145 billion economic rescue package, sort of a stimulus package, as I recall.

Bolten: Yes, it was a stimulus. I think everybody declined to call it a stimulus, but that's what it was.

Riley: Right.

Bolten: Because the period I was describing was through early '07.

Perry: Right.

Bolten: And then in '07, the economy shows signs of real stress and downturn. It's becoming obvious that there's a bubble in the housing market. Well, no, let me retract that and say it was becoming obvious that there was excessive risk in the housing market. Bubbles, no one ever knows when there's a bubble until it bursts.

Riley: Sure.

Perry: And this is the recognition that there could be problems with these so-called subprime mortgages.

Bolten: Yes, yes, and that there was a lot of reckless lending going on, and a lot of people getting underwater in their mortgages. Housing prices started to fall pretty dramatically in, is it '07, I think?

Perry: I think that's right, and what Hank Paulson says is that really, since the Great Depression, there hadn't been a bubble burst in the residential housing market. Commercial, yes, up and down through recessions and that sort of thing. That was also taking people by surprise.

Bolten: Yes, and in fact, in the Reagan-[George H. W.] Bush era, you had the savings and loan crisis, but that was of a different nature than the residential mortgage situation in the United States. The economists always said housing prices can't keep going up the way they have, but they did, until they didn't. And so that, in '07, the state of the economy became a preoccupation. We negotiated a stimulus package, but there was more to it than that. If you factor in some of the other politics that were going on—We had increasing difficulty getting the Congress to go along with funding the War on Terror, as skepticism grew about Iraq in particular, and as the war in Iraq was going badly. Then, as the President decided to double down with the surge, that required pretty substantial increases in appropriations.

The price for that, to get some Democratic support, which was necessary after the '06 election in particular—It had always been somewhat necessary, but it became essential after losing the midterms. The price for that was increased domestic spending, so the stimulus package is one that I'm not sure a Republican administration would have put forward on its own, but was something that certainly got support of a lot of Democrats, and at several stages in budget negotiations in that '06 to '07 to '08 period, you would find the Bush administration being more

relaxed about domestic spending than it otherwise would be, because of the imperative of getting support for the military spending.

Perry: That was the quid pro quo.

Bolten: Yes.

Riley: You touched on a couple of problem areas, like the excesses of the housing market and so forth, that later on become very problematic. In '07, it's still—It's not a hurricane, but there are clouds gathering, and I guess my question is was there consideration given to increased regulation, or regulatory reforms at that point, or is that still considered sort of anathema in a Republican administration?

Bolten: I don't think it would have been considered anathema if the feeling had been that there was something effective that could be done. Bush was not reflexively antiregulation; he was anti unnecessary regulation. So that would not have been ruled out completely, but again, there's a good question about OK, so what regulation would you have done that would have ameliorated the circumstances that led to the crisis? It's not clear. So, there was an ongoing sense that yes, this is problematic. There was not a good sense of how problematic is it and what ought to be done about it.

Riley: So nobody in your economic area is bringing to you any ideas about how you resolve the subprime problem or, as I recall from reading the regulatory structures on a lot of these, institutions get in trouble, it's very decentralized. A lot of it is state regulation, state bank regulations and so forth. So there's not a sense that you need to be more centralized in an approach to how you deal with financial institutions and what their books look like?

Bolten: No. I do not recall having a sense that gee, the regulators don't really have the visibility or tools that they need to stop inappropriate behavior. That I don't recall appreciating, so no. My guess is there was a lot of stuff going on that was not visible to me, in my role as Chief of Staff, but certainly of bringing it to the President and so on, fairly limited. We did make a run at GSE reform. I don't remember, Barbara, what the timeline says.

Perry: I don't even think that's in the—

Bolten: Paulson was attempting to negotiate some GSE reform early on in his tenure, but he hit a brick political wall, in part because the GSEs had been among the most effective and powerful lobby organizations in the entire country. They were financing housing in everybody's district and they would let the member come and cut the ribbon, so they were formidable forces. And the eventual move, in September of 2008, just to take those things over, was a bold and crucial step that, had you suggested it to me even a few months earlier, would have been unthinkable. It was even shocking at the time.

Perry: Now, is that the reference, Josh, to the conservatorship of Freddie Mac and Fannie Mae?

Bolten: Yes.

Perry: Right, so that's September 7th of '08.

Bolten: It is, it is. Now, the first underappreciation, at least that I had, and maybe it's true of the President as well, that something could go drastically wrong in the financial system, rather than in a particular sector, was the collapse of Bear Stearns in March of '08.

Perry: Correct.

Bolten: That wasn't the only thing going on at the time, but it was a notable event. I think from then on, the administration was on notice, concerned and so on, but again, not a feeling that we're just about to go over the cliff here. There were not, at the time, visible signs that said that this was a systemic problem that extended far beyond Bear Stearns. In retrospect, you can say it was visible.

Perry: Right.

Bolten: At the time, no, not so much.

Perry: But moreover and again, I think Paulson makes this so clear in his book—Because of the way markets are, you can't say anything like that publicly anyway, and even if you tried to—

Bolten: You would cause it.

Perry: Exactly, because then *that* would be the tipping point that would cause the house of cards to collapse.

Bolten: Yes, but I do not recall anybody saying, including Hank, that yes, this Bear Stearns is the tip of the iceberg. It is a house of cards and we can't say so, because if we say so, it will collapse. That's a gross oversimplification and you can look back and say it was obvious it was a house of cards, but it was not at the time. It was a cause for genuine concern, but not obvious at the time, and the events that unfolded in August and September of 2008 were, I think, a genuine shock to almost everybody involved.

Perry: So can you take us through, wherever you'd like to begin, or whatever event. You could start in March with Bear Stearns, or you can bring it up to September of '08. As Presidential scholars, we know that political scientists and Presidential historians and probably economic historians will be looking at these descriptions that you're giving, but particularly as it involves the Presidency. What are you seeing in meetings, what kinds of meetings are happening involving the President, or maybe not, as the case may be? What's happening with other members of the staff? How is the White House dealing with the Treasury Department, with the Secretary of the Treasury?

Bolten: My recollection is that there was, quantitatively, more concern about the financial markets and the economy more broadly, beginning with Bear Stearns, but qualitatively, not much difference in the months between March and I don't know whether it's right to say late August and September. So I would say most of the intervening months were not unusual in the operation of the White House with respect to these financial issues. It was when the unraveling began that the mode of operating inside the White House really changed.

Perry: And in fact, I think for part of August, as is often the case, people are on vacation, the President was down at the ranch.

Bolten: That stuff always happens.

Perry: Presidents need to stay in Washington. It's after Labor Day that all this is really going down.

Riley: Yes, but there's an awful lot that happens before that. You said that the Bear Stearns collapse is a place where you're finally aware that this is really serious.

Bolten: Yes.

Riley: Was there much of a White House role in the transactions that related to saving Bear Stearns?

Bolten: No.

Riley: No, OK.

Bolten: I mean, Hank was scrupulous in keeping the President informed, keeping me informed, and so on, and he got authority from the President to take the measures that they took. It was over a weekend, all of these things.

Perry: Yes.

Riley: All these things.

Bolten: All of these things happened over a weekend. So Hank was very good about coordinating with us. He was good about engaging and staying in close harness with Ben Bernanke at the Fed and Tim Geithner at the New York Fed. We saw them kind of as a troika led by Hank, because we didn't typically, and weren't accustomed to, having policy conversation with Fed officials.

Riley: Right, exactly.

Bolten: We didn't view them, and they certainly didn't view themselves, as subject to the direction of the President. But Hank was, and he was leading the troika, and so the White House was engaged. Keith Hennessey, at that point, was the head of the NEC [National Economic Council], Eddie Lazear was head of the Council of Economic Advisers and I asked my Deputy for Policy, Joel Kaplan, to join in. All three of them were closely engaged with the Treasury team, but it was not something where the President had to make sudden tough calls. He authorized some of the tough calls that the troika made over the weekend, but he wasn't sitting there at the negotiating table saying, "OK, we're going to buy up these assets and you're going to have to—J.P. Morgan will take this over."

Riley: Right.

Bolten: That's not the way government ought to operate, and it wasn't.

Riley: I expected that was probably your answer, but I needed to ask to find out. Were there instances where—What comes through in Paulson's account is a lot of this interaction, and the sense that the President was behind him, encouraging him and so forth. Do you recall any instances where that wasn't the case? Were there instances where his confidence in Paulson ever faltered during these exercises?

Bolten: That's an interesting way to put the question. I do not. I do not. There must have been some instances in which the President might say something like, "What's he doing?" kind of thing, but I—Maybe there were none, because Hank was really good at keeping the President apprised of what he was doing, so that he didn't even really need to ask approval for a big move. The President was kind of with him most steps of the way, in a very summary form.

Riley: Right.

Bolten: But the typical conversation during that period was Hank would call me on Tuesday or Wednesday and say, "XX institution is looking like they're—is looking wobbly—and the short-sellers are going after it, but I think they'll be able to stabilize." And then on Thursday he would call again and say, "I'm not so sure about the stabilizing." He'd call on Friday—I would report these to the President; Hank would ask me to report it to the President, and maybe on Thursday he would say, "Maybe I need to speak with the President," and I'd always make sure that he either got to visit with him or likely had a brief phone conversation with him.

And then by Thursday night, he's saying, "I hope we can make it into the weekend" and on Friday he'd call to say, "I'm going up to New York; we'll be in Geithner's office." He said, "I think this will be OK, but where and when can I reach you and the President?" I'd tell him to check in, and by Sunday, he's asking the President for some extraordinary authority, or reporting to the President, in the case of Lehman [Brothers Holdings Inc.], "Nothing we can do." You know, "Put your seatbelt on, this is going to be ugly when the markets open on Monday."

Riley: Any recollected disagreement on Lehman? Did the President push him?

Bolten: No. The President was not a fan of federal bailouts of these institutions. He was also not a fan of disorderly disintegration, but basically, the mandate to Hank was do the best you can. You don't need to come back to the President, unless you're thinking of trying to put federal dollars into a bailout here, in which case you do need to call the President and persuade him.

Riley: Sure.

Bolten: And so that's how we left it. In the case of Lehman, the conclusion that he and Bernanke and Geithner all came to, which I know remains controversial, is there was nothing the federal government, either the Fed or the Treasury, could do to rescue Lehman, so there was no call for the President to make, other than the encouragement that he gave to the troika to do your best to get a buyer; if you need my help, I'll call, that kind of thing. Lehman was the beginning of the great unraveling, which was what date?

Perry: Lehman is September 15th.

Bolten: September 14th.

Perry: Oh, we have 15th in our timeline. It says Lehman files for a Chapter 11.

Bolten: Yes, yes. I think 14th is the Sunday, so it was on Sunday the 14th, that we—

Perry: That the decision is made that it can't be saved?

Bolten: It can't be saved, yes.

Perry: And they filed the next day.

Bolten: And the decision to file for the bankruptcy was made on Sunday, but the filing was—yes. So this was the conversation between Hank and me and the President, on Sunday the 14th.

Perry: The 14th.

Bolten: Those were some difficult conversations.

Perry: Josh, President Bush 43 is the first MBA [master of business administration] President we've had. What's the benefit? It seems obvious, but did you see particular benefits of his knowledge and experience in the business world at this time?

Bolten: Yes. He understood, better than most, what was going on. He didn't know what a TED spread was either. I certainly didn't know and he didn't know, but when explained to him, he understood what it was. So yes, I think it was helpful. It made it possible to have a shorter conversation with him, because he had a little more background than most, but candidly, I think if President Bush had not had an MBA degree, I don't think he would have handled it differently or understood it any differently, other than more quickly. So I don't think his MBA had a big role to play in it. The experiences that he had really did inform his understanding of it. More than once, in the course of this, he told the story of watching a bank run. I think that's in his memoir.

Riley: I didn't go back and look at that.

Bolten: When he was in Texas and the price of oil collapsed, he describes going to his window and, like a scene out of *It's a Wonderful Life*, watching people lining up at the local bank. Those were the kinds of experiences, I think, that really informed his understanding of what was going on, more so than the public finance course he may have been required to take at Harvard.

Perry: Well, whatever made him, the quick study had to be helpful in these turbulent times.

Bolten: But he got it. He got it. He's a very smart guy and not afraid to ask questions, and very good at seeing the big picture, and he got it. He didn't get the technicalities of how derivatives built up in the system, but he certainly got what a derivative is.

Riley: Barbara mentioned one instance where he said, "You'll have to tell me how we got here," and I think there are at least one or two instances of this in Paulson's book. Do you recall? The impression that you have of the President is that he's so focused on solving the problem that

there's not a lot of that, "Bring me up to speed on how this emerged." Was there ever a point in time where you did a significant postmortem on all of this, to try to figure out whether there are further remedies or corrections that need to be taken?

Bolten: Well, look, you have to appreciate that the body was just being sewed up. The body was on the operating table the entire time we were there.

Riley: Gotcha.

Bolten: And it was just being sewed up by January 20th. I firmly believe that the financial crisis was over by the time President Obama was inaugurated, but we didn't know it, and so there was not a lot of occasion to sit around and speculate on how did we get here and so on.

Riley: OK.

Bolten: By the way, very un-Bush-like, to spend a lot time unnecessarily musing about who's to blame and how did this happen and so on. If it's useful to solving the problem to know how it happened, then he would want to know, but if it's just to fix responsibility, he didn't spend a lot of time on that sort of speculation. He's very much a forward-looking leader, and I think that was one of his strengths as a leader.

Riley: And I'm assuming the same was true in your job as Chief of Staff, that your responsibilities are so overwhelming, in getting from point A to point B every day, that you're not spending much time—

Bolten: Yes. I actually craved more understanding and education about how financial crises build up and occur, but I didn't have the time for it. I would have loved to have read a book about the Great Depression, maybe the one Bernanke wrote.

Riley: Right. *[laughter]*

Bolten: But there was no occasion for that. It's one of the challenges and the vices of serving in high levels in government these days, is that there's very little time for reflection and education. You have to pick it up as you go.

Riley: I think it was Henry Kissinger who said you come into your office with all the intellectual capital you're going to have, and it's just drawn down during your time of service.

Bolten: I think that's right. Well, no, I don't completely agree with that. You pick up a lot of stuff on the way, but you don't have the time that you would want to really learn as much as you wished you knew, while you're making decisions. In my job as Chief of Staff, I would get to the office at 6:15 in the morning and I would be fully occupied until—you know, with no notable break—until 6:30, 7:00 at night. At that point, I would have a few hours to go back through, look at emails, maybe reflect on things, maybe make a note. If I was speaking somewhere the next day, prepare a little bit on remarks, but the time to study about the Great Depression didn't exist, because I would be doing the minimum necessary, between 6:30 or 7:00 P.M., and 10:30 or 11:00 at night, to not cause a problem the next day, and then I'd go home and repeat.

Riley: Seven days a week.

Bolten: Because I always considered it a victory if the time between when I left the White House and I got back was eight hours. So that, I always felt, gave me enough time to sleep and recover, and I didn't usually hit it when I was Chief of Staff. It was more commonly around seven and a half, or even seven hours, between when I left the White House at 11:15, and got back at 6:15.

Riley: Did you have to overnight there?

Bolten: Never did. Well, maybe once or twice. I think as Deputy Chief of Staff I did once or twice, but no. I very much took it to heart, but was unable to emulate the President's appreciation that if you have a lot of responsibility, the worst thing you can do is allow yourself to get into poor physical, emotional, or spiritual condition, because the extra hours you spend working on the problem don't compensate for the loss in judgment that comes from wearing yourself down. So, President Bush, to his credit, was always insistent that he would get exercise, he would get sleep, and he would spend time with his family, and that's the right call. With the frailty of being the Chief of Staff, I did not consistently make the right call, and I think it's one of the things that I would do differently were I to go back.

Riley: Are you going to go back and serve this President in that capacity?

Bolten: I do not expect to be called to do that, *[laughter]* and I would not recommend to this President that he seek to replace anybody with me.

Riley: Gotcha. Do you have something you want to point out there?

Bolten: Well, I remembered one of the—I'd forgotten, but now remember, one of the searing moments in the midst of the crisis. Because often, when something so big as the financial crisis is going on, you forget the other circles that are concentric really, with what's going on. You have to appreciate that in September of 2008, we would have been paying a lot of attention to the Presidential campaign, which was then hot, between Senator Obama and Senator [John] McCain. I was trying to place in time the most horrifying meeting I've ever attended as a government official, which I see from Hank's book occurred on September 25, 2008.

Riley: Do explain.

Bolten: I was with President Bush. For some reason, I recall being with him in the family theater, so he must have been practicing a speech of some kind, but I can't imagine what it was. This was a few days before September 25th, and I was called, by his campaign manager, whose name now—I know him and his name now escapes me.

Riley: You can put it in.

Bolten: Whom I didn't know well, and we were not close to the McCain campaign, and certainly not close to the Obama campaign, because both candidates were running against Bush. So, Rick—Rick Davis—said to me that Senator McCain is going to be announcing in a few minutes that he's suspending his campaign in order to go to Washington to help resolve the financial crisis, and we'd like you to host a meeting at the White House, of leadership, with Senators

McCain and Obama. I said, “Really?” [*laughter*] I said something to the effect of, “Is there any chance I can talk you out of that?” And he said, “No, he’s walking down to the sticks right now.” He tried to reach me like an hour earlier, but I was with the President and didn’t step out.

Perry: McCain himself or the manager?

Bolten: No, Davis, Davis. Maybe McCain also put a call in to the President, which is why I feel like we were in the family theater rehearsing something. It would be interesting to look up at some point, what speech he might have been preparing for.

Riley: Is there a UN [United Nations] speech in September?

Bolten: Might have been.

Perry: Yes, annually. The General Assembly comes back into session.

Bolten: It could have been, but we didn’t take those all that seriously.

Perry: Didn’t practice those?

Riley: That may be one of the most quoted things out of this interview that you’ve said.

Bolten: OK, that’s probably an exaggeration, and Condi [Condoleezza Rice] will be upset to see that. Anyway, I said, “Have you thought through exactly what you’re going to do to solve the crisis?” I’m jumping forward in the story, but this is the point at which Lehman has collapsed, AIG [American International Group, Inc.] is teetering, any number of the other banks are teetering.

Perry: Merrill Lynch.

Bolten: Merrill Lynch is next in trouble.

Perry: Yes.

Bolten: Barbara, what day is it, that Paulson comes and asks the President for authority to seek an appropriation for the TARP [Troubled Asset Relief Program]?

Perry: I don’t have that date, and that’s not in our timeline.

Riley: OK. It’s got to be early September though, right?

Bolten: Here it is, September 18th.

Perry: Oh, there’s a picture of it?

Bolten: Yes. Somewhere in there, somewhere after Lehman and maybe like September 17th, let’s say. So, we’ve narrowed it down to just a couple of days after Lehman.

Perry: Mid-September, right.

Bolten: The foundations of the financial system are quaking. Hank asks me for time with the President because he wants to put on the table, for the President's approval, a radical proposal, essentially to have the government bail out the people who caused the crisis in the first place. I didn't fully have the contours of it, but I said, "Yes, of course." We agreed with Keith Hennessey, who was then heading the NEC. We agreed that he ought to have the full array of senior advisors there. So he came with the troika, Bernanke and Geithner were there, as was Chris [Charles Christopher] Cox, the head of the SEC [Securities and Exchange Commission]. There were, presumably, other people there.

Riley: Sheila Bair.

Bolten: Sheila Bair was probably there, as was the housing finance guy [Jim Lockhart], who was a pal of Bush's, with Keith Hennessey presenting for the NEC. Eddie Lazear would have been there. My deputy, Joel Kaplan, would have been there, all around the table in the Roosevelt Room, with the Vice President. Hank presented a proposal for \$700 billion or \$750 billion, of authority, to be used principally to buy up the toxic assets that were weighing down the balance sheets of all these mega entities. Hank made his presentation; everybody was in shock at that time. Just imagine the notion of a Republican President, who by the way was no particular fan of Wall Street. I think he was always misperceived as being one. In my experience, he was consistently critical of Wall Street. He was very pro-business, but I think partly as a result of his own experiences in business, not particularly pro-Wall Street. But the spectacle of this Republican President having to decide whether to seek an appropriation of, is it 700 or 750?

Perry: It ended up being 700.

Bolten: \$700 billion, to bail out the banks, was just a horrifying thought. Bush took it fairly calmly. The Vice President looked like he'd bit a lemon. But I do remember and it's reported in their books, I think accurately, by both Bush and Paulson, that the President, after Paulson's presentation, turned to Bernanke and said, "Ben, what happens if we don't do this?" Ben said, "It could be as bad as or worse than the Great Depression." I don't remember if the President said it, but certainly by body language and otherwise, I could tell. I was sitting on his left and the Vice President was on his right. I could tell that he—He didn't relax, but it was almost as though well, that makes it easy. So he gave his assent very quickly.

Riley: Did he also ask for assurances that this was going to fix the problem? Because by that point, he had been through several iterations of, "We have to do this, I think it will work, I think maybe this will stop it." Hank keeps telling him, "I think if we can do this, maybe we've gotten ahead of it finally."

Bolten: You know, Bush had good reason to be frustrated that we kept taking these measures that were going to stanch the problem and they didn't. I don't recall him overtly being as frustrated as I would have seen him be in other circumstances.

Riley: Right.

Bolten: I think it's partly because Paulson had been very straight with him, every step of the way, saying we don't really know what's going on, we don't really know that this will fix it, this is our best guess. And he said the same thing about the TARP.

Riley: Right.

Bolten: So, I'm sure he did ask questions of that sort. He always did in those circumstances ask questions about the efficacy of the measure and what other options were considered and rejected. But he didn't particularly flinch and he didn't wring his hands. When the meeting ended, I distinctly recall him going around to the folks on the—The President sat in the center of the table, on one side, and all of the officials and briefers sat facing him on the other side of the Roosevelt Room table, and then the White House folks were typically arrayed to the left and right of the President. I remember, instead of just getting up from his seat, as he usually might, and going out the door, directly into the hallway, into the Oval Office, he went around to the other side of the table as people were getting up and milling around, and he comforted every one of the people who had been struggling with this. He went to Geithner, he went to Ben, he went to Paulson, and he said, "We'll get through this. We're doing the right thing. Don't worry." And he encouraged most of them to go home and get some sleep, which most of them had not had in a few days.

Riley: Yes.

Bolten: "Because," he said, "you're going to need your strength." And he walked out of the Roosevelt Room, across the hall, into the Oval Office, through the outer door, and I think Ed Gillespie and I, and maybe Joel Kaplan, followed him into the Oval Office. He said, and I made note of it, he said, "If this is [Herbert] Hoover or [Franklin Delano] Roosevelt, for damn sure I'm going to be Roosevelt." I think that's reflected in his book, but I think I told him he said that. *[laughter]* So it may be my recollection that's informing his book, but I know Eddie heard it as well, and I think maybe Joel did too, and it was a very clear remark. I remember being very impressed with him at that moment, that with this hugely fraught and very painful but clear decision, that he was able to step back and put himself in historical context, and sort of lightly say, "I'd rather be Roosevelt than Hoover." But he knew he was in for trouble.

Riley: Sure.

Bolten: And he knew perfectly well that the relatively few people in the country who were still supporting him would probably turn on him as a result of that decision, and they did.

Riley: You were going to give us an account also, of the meeting?

Bolten: Oh, yes, yes. OK, so in the midst—So that's the financial crisis. In the midst of all this, the election is going on.

Riley: Right.

Bolten: Rick Davis calls and tells me that McCain is announcing that he's—This was after the decision to go for the TARP. What's the date on which the TARP was defeated? Oh, yes, the TARP came to a vote first, on September 29th. So, we spend the next few days desperately trying to line up support for the \$700 billion, which by the way, I asked Paulson, after the meeting, "How did you come up with \$700 billion?" He said, "A trillion sounded too big." *[laughter]* And so it was a guess. It was a well-educated guess, but just a complete guess, about

what kind of resources might be needed. And then we went about trying to sell it on the Hill, and we're having a terrible time, especially in the Republican Conference—

Riley: Right.

Bolten: —all of whom went to Congress as fiscal conservatives and who were just not comfortable with the largest single appropriation in the history of mankind going for these kinds of purposes.

Riley: Is the President himself making these calls?

Bolten: He's doing some of it, yes. He's talking back and forth with the leadership, with some key Members, but we're all fanning out, trying to get the Republican Conference going. I remember the Republican Conference and the House met, and invited the Vice President and me, and anybody else, to come up and make the case. The Vice President went up and sort of made the very general high-level case and it went very flat, but at least he didn't get booed. I can't remember who else spoke. I might have spoken. Keith Hennessey definitely spoke. Kevin Warsh, I believe, spoke. He was at the time, a Fed Governor, but had been on the National Economic Council staff. It might have included me. I'd probably remember if I spoke, so maybe I didn't speak, but the others actually got booed in the conference and people lined up at the microphone to express their determined opposition to this horrible idea.

Riley: Did the Vice President have his heart in this?

Bolten: He didn't. What I was about to tell you is that after he sat down and stayed through a little bit and got the feeling of the room, he leaned over to me and said, "I think you guys have this under control. I'm going to take off." *[laughter]*

Riley: And did he?

Bolten: He left. He was always a good soldier. I never really knew exactly what his views were, but this was not his comfort zone. So it was going badly and in the midst of this going very badly, maybe President Bush was working on a speech about the TARP.

Riley: That makes sense.

Bolten: You know, a national—Maybe there was a televised address to rally support for the TARP.

Riley: Yes, there was, there was.

Bolten: OK. So maybe that was why we were in the—It was important., not like a UN speech. So that may have been why were in the—

Riley: Keep talking, because I've got something I can check.

Bolten: —family theater, rehearsing something. Anyway, so Rick Davis says, "Yes, we're suspending the campaign and we're coming back to Washington to help with this and we'd like

you to host a meeting.” I did ask if I could talk him out of it. He said no, so I said, “OK, let me take that back to the President and I’ll come back to you.” I went to the President and he said, “Why?”

Because at that point, we thought we were reasonably well underway, mistakenly, in getting the support we—You know, we thought we could sort of eke through with the kind of support we would need for TARP. We would need to get to pass TARP in both Houses, but the one thing we really didn’t need was for it to become a partisan issue, because we knew we were going to be more dependent on Democratic than Republican votes. We thought that McCain and Obama showing up was just going to make it partisan in some fashion, and in particular because they didn’t have any ideas that we hadn’t thought of. In fact, McCain had no ideas about what to do.

Perry: Well, did the President—When he said, “Why?” did you all talk about do we have to do this?

Bolten: Yes.

Perry: Did the President say, “Why don’t we just say no?”

Bolten: The President said, “Do we have to do this?” And I said yes, because you can’t have one of the Presidential candidates offering to come here, and asking you to convene a meeting to bring people together in support of some kind of solution—You can’t refuse that and basically undermine your ability to bring people together. So I said, “I don’t think we can turn them down,” and the President said, “You’re right.”

Riley: September 24th, I believe was an address to the country.

Bolten: OK, so it was probably—

Perry: So that’s perfect timing, because this meeting was—

Bolten: It was probably on the 23rd.

Perry: Right.

Bolten: We were probably in the theater on the 23rd. So I called Davis back and I said, “OK, be here on September 25th.” And I called up Obama’s campaign manager, whose name I’m also forgetting.

Riley: [David] Axelrod?

Bolten: No, it was the other guy.

Perry: [David] Plouffe?

Bolten: Plouffe. I said, “Look, here’s what’s going on,” and he was very wary, because he thought it was a stunt of some kind, a trap for Obama, that we were in cahoots with McCain. I said, “No, I think this is a bad idea.”

Riley: Did you really tell him that?

Bolten: Yes. I said, “I think it’s a bad idea, we didn’t propose it, but we don’t think we have a choice but to host this meeting.” Plouffe also expressed the suspicion that McCain was trying to get out of a debate that was scheduled with Obama.

Perry: There was talk that he wouldn’t show. I mean to say, “This is such an emergency, I must be in Washington, I cannot go to the debate site.”

Bolten: Yes, so Plouffe thought we were part of some conspiracy to get McCain out of the debate.

Perry: Had the President endorsed—

Bolten: I vaguely recall saying to him something like, “Look, McCain is running against President Bush as hard he wants, so trust me, we are not in cahoots with the McCain campaign.”

Riley: Right.

Bolten: “We’re just trying to make it through the—” You know, “We’re just trying to resolve this financial crisis, so please trust me, we’re not trying to give anybody political advantage. So here’s the invite, you can show up or not show up, but we’re hosting the meeting.” So, the photograph I’m looking at here is a premeeting, Republicans in the Oval Office before the McCain-convened session in the Cabinet Room.

Perry: And these were leaders from the Hill as well.

Bolten: Leaders from the Hill, but if you look at the picture, you’ll notice McCain is not there.

Riley: So he’s not there for the premeeting?

Bolten: Well, no, and let me see. Yes, he’s not there. We may have invited him. The premeeting may not even have been an invitation thing. It’s right before it, so we just may have said, “Everybody come on in and visit with the President for a few minutes.” [John] Boehner is there, and [Addison Mitchell] McConnell is there, and either at that meeting or before it, the President said to me, “So, what’s going to happen? How is this going to go?” And I said, “I have no idea.” And I apologized to him, because I had never before put the President into a meeting in which I had no idea what was going to happen or what outcome I had hoped might be beneficial to him. But we didn’t, because we didn’t know what McCain had up his sleeve. We certainly didn’t know what Obama had up his sleeve.

The President convened the meeting and it was, I think, probably the worst meeting I’ve ever been in as a senior government official, in the sense that then-Senator Obama, who got to speak first, gave a terrific presentation.

Perry: That did what?

Bolten: It sort of put the whole thing in context and what needed to happen, and so on. He was supportive of the TARP. I'll tell you what I distinctly remember was that the President called first on Nancy Pelosi, who was sitting to his right, as the Speaker, and she said, "I'm going to give my time to Senator Obama." So they clearly had the whole thing scripted out, and McCain hadn't even come to the premeeting. So the President turned to Reid and said, "Harry, do you want to speak?" He said, "No, I'm giving my time to Obama as well," and the President said OK, and so he let Obama speak. I don't remember what he said, but it was quite coherent and cogent, and an assault on Republicans, for resisting what needed to happen to save the financial system.

And then Bush said—You know, he skipped over Boehner and McConnell and said, "Well," in parity, "let me invite Senator McCain to speak," and McCain said, "I'll wait my turn." So he called on Boehner or McConnell or somebody, and Boehner of course, is the one who is trapped, because the vast majority of his conference has sworn to the death that they will never, ever vote for this thing, and the whole meeting just devolved into a shouting match. Somebody accused somebody of something. I don't even remember all the details, but I remember I was sitting to the Vice President's right, and he and I just exchanged a look of "this just could not be worse."

I was often exhausted in government service, but I never felt faint, and I remember feeling faint, sitting at the table. I was worried that I was just going to go face down and that my head was going to hit the Cabinet table. *[laughter]* Eventually, the President just said, "Clearly, I've lost control of the meeting. It's over."

Perry: He said, "I've lost control of the meeting"?

Bolten: Yes, yes, "so I'm putting it to an end," and he got up and he walked out. This was the scene where—So the Democrats were very well organized and had been organized by Obama. McCain had done nothing to organize the Republicans as to how to handle this situation, and I remember thinking at the time, *Yes, one of these guys is going to be President, and it's not McCain.* I think this was the meeting at which, I think Paulson caught up with Pelosi and Reid in the Roosevelt Room and got down on one knee.

Riley: This is—He reports this.

Bolten: Yes, and got down on one knee, sort of jokingly, but basically begged them, "Don't blow up the negotiations over this meeting. Let's stay at it, we may be able to make it."

Riley: Did you talk to the President immediately after the meeting?

Bolten: I don't remember. He took it sort of in stride, but he was almost—He loves politics, and so he was almost amused at just the idiocy of the McCain gambit, which had blown up and set us back in our negotiations.

Riley: Sure. So how do you fix it? I'm mindful that I'm already over what time you allotted, and I don't know whether you've got a hard stop.

Bolten: Let me check my time here.

Riley: I'm OK, but if we need to carry this over, Washington is not too far away for us to come back.

Bolten: Well, let's go for another 20 minutes or so, if that's all right.

Riley: OK, terrific.

Perry: I may duck out just a little bit before that, to get my train, but I'll stay as long as I can because this is brilliant. We love it.

Riley: So how do you fix it?

Bolten: I'm being kind of slow.

Perry: No, no.

Riley: It's of no consequence whatsoever.

Perry: No, you're giving us all the details that we want.

Riley: It's riveting. Yes, it's riveting.

Bolten: Well, that meeting just made our job harder, and I think made McCain look foolish, and the Democrats were well organized, to underscore that. But we then spent the next few days trying to work the votes, and finally decided we couldn't wait any longer. Rarely would you, would the President, urge putting a major bill to a vote without knowing whether you had the votes, but we didn't. We just kind of took a chance that all these people that have told us they won't vote for it, if they see that their vote is needed to get this done, with the public pressure and the—although the public pressure cut both ways and for Republicans cut against—but with the President's pressure, they would come around. When the vote was eventually held, on September 29th, so that's four days after the dreadful meeting in the Cabinet Room, the vote went down. That was the second time I felt faint.

Riley: You didn't get the dry heaves like Hank reports in his book, several times?

Bolten: No, but yes, I now recall that, which is—I think that was just partly exhaustion on his part, but he just threw himself physically into these issues so much that I'm not surprised that it had physiological consequences for him.

Riley: Sure. But the vote, the vote that you—This is the vote that you won?

Bolten: No. September 29th, we lost.

Riley: No, this is the vote that you lost, so the 29th you lost, OK.

Bolten: I was not despondent after we lost, because I was aware—They backed it up against, I think it was the short break for the Jewish holidays, for the High Holy Days.

Riley: Right.

Bolten: So I felt like if we made a second run at it, we'd have a reasonable chance, but Hank reports accurately in his book that he called me after the vote and said, "What do we do?" And I said, "I think you've done everything you can, give me the ball and let me try for a few days." My sense was that Hank was both exhausted and kind of radioactive at that point, and so we needed to step back and do something a little quieter from the White House.

So I spent the next few days with Steny Hoyer and Roy Blunt and a bunch of other folks on both sides, working out a plan. Interestingly, among the most, maybe the most, helpful member at that moment was Rahm Emanuel, who was number four in the leadership of the House, but was really intellectually clear and relatively courageous. He became a good ally and helped us think through our strategy of passing a measure in the Senate first. And he said, "If you do this, then we think we can keep our conference together to do this, get more Republicans on board." And of course we were also aided by a dramatic drop in the stock market, so people saw their 401(k)s lose, I don't know how much it was, but 5 or 10 percent of their value, and began to put some pressure on the Members, while they were home, to not let this go on. So, we worked out a strategy that we were able to execute on effectively and finally get the TARP passed.

The other thing that is relatively vivid in my memory is while the process of trying to get the money is going on, the Treasury is trying to figure out what to do with the money. Hank had told the President that we need to buy up these toxic assets; the last thing in the world that we should be doing is injecting capital into the banks, in a sense sort of nationalizing them. That will be disastrous, it will confirm everybody's worst fears about nationalization, all of the moral hazard involved and so on. Then, a few days later, this was after we got the money, Hank comes in to— He asked for a meeting with the President, we set it up, and he's telling me in advance what he's going to say. He said he's going to say that we can't buy the toxic assets, what we must do is invest capital into the banks. I said, "You're aware that that's exactly the opposite of what you told the President a few days ago," and he said, "I know. I was wrong."

Riley: I don't remember this account in his book.

Bolten: I don't know if he covers that, but I think he acknowledges that they made a mistake.

Riley: It may be in there and I've just forgotten it.

Bolten: But it was as abrupt a turnaround—And I remember going into the meeting and the President says, "Hank, you are aware that four days ago, you told me the exact opposite?" And Hank says, "I know. I was wrong." *[laughter]* And he didn't mince anything about it. He's also like Bush; he looks forward. And he explained why he thought it was wrong. He didn't try to excuse himself, he just said, "Here's why I think it's not possible for us to value and purchase all of these toxic assets, and here's why we need to put money into them."

And then he set about on the very difficult course, authorized by the President, forcing the banks to take a capital injection from the United States government, which was not easy. Some of them didn't want it, but he navigated that brilliantly. And I go back to the first comment I made, which is that only somebody who the people around that table viewed as a real peer could have pulled that off, and he did.

Riley: I think it is remarkable, building on what you've said, that that troika, the range and kind of experience they had: Paulson for all the things that you've talked about; Bernanke in particular because there's a guy who knew depressions; Geithner, just I guess because of his experience. I know far less about him, you know, but the country was lucky—and maybe not all luck, because some of this is intentional—but the country was well served by having these three people.

Bolten: Yes, I think they're basically the three who saved the global economy. They don't get a lot of credit for it these days. Hank Paulson, at least in his speeches, he used to like to joke that there was a poll taken after the TARP was implemented and that the bailout for the banks polled lower in popularity than torture, [*laughter*] which I believe is true. You know, they asked people should the United States be using torture at Guantanamo or something, and I have no doubt that 20 percent of the public said yes to that and only 15 percent said yes to the TARP, if that. It was remarkable, in the aftermath, that what I consider by far the most effective public policy intervention in the midst of an economic crisis, I think of all time, that no politician in its aftermath would want to be associated with it.

Riley: Let me ask you this question.

Bolten: And Democrats were against it because—Republicans were against it because it was a bailout. Democrats were against it because it was a bailout for the banks. Find me the politician who stands up and proudly says, "I was for that, and it was the best thing I ever did."

Perry: Well, a lot of them, because they got such blowback from their constituents, and I'm from Kentucky originally, so I always follow Senator McConnell, and he was up for reelection that year in '08, and he won of course, but it was by a smaller margin than he anticipated. That really scared him, I think, and he went on then to say that he wouldn't support it again.

Bolten: OK, so we will have a next session.

Perry: Oh, good.

Bolten: Because we'll do the remainder of the financial crisis, including the very important story regarding the auto bailout.

Perry: Yes.

Riley: OK.

Bolten: And then I guess at the same time, we could talk some about the transition.

Perry: Yes, absolutely.

Riley: That would be terrific. That would be terrific.

Perry: And carry on the linkages.

Riley: Do you want to stay two more hours?

Bolten: Sure.

Riley: Do you think that works?

Bolten: Yes.

Riley: We'll keep coming back until you tell us no more.

Perry: Yes, as long as you tell us we can.

Bolten: I enjoy it. It's stuff that got buried in the recesses of my memory, but at midnight last night, when I picked up Hank's book, I found myself paging through it and really enjoying it.

Perry: It's compelling.

Riley: It's quite a read. I want to ask you one question on the way out and you can answer it now or you can think about it. I told Barbara I was going to ask it. This is a historical counterfactual. Let's assume that George W. Bush was up for reelection that year, what happens?

Bolten: Wiped out, absolutely wiped out.

Riley: He's wiped out.

Perry: Would he have done the same things?

Riley: But would he have done the same, could he have done?

Bolten: Oh, absolutely.

Riley: Absolutely.

Bolten: Absolutely.

Riley: Absolutely. *Could* he have done the same thing?

Bolten: Yes.

Riley: OK. So the activities of the President, in your mind, don't differ at all because he's a candidate for reelection.

Bolten: No, not George W. Bush. Most other politicians, I would have to think about the answer, but George W. Bush, you would not have to think about the answer.

Riley: But he gets his clock cleaned as a result of it.

Bolten: Absolutely.

Riley: OK. That's a simpler answer than I expected. Thank you so much.

Bolten: That's the easiest one from you guys. [*laughter*]

Perry: That's a good one to end on.

Riley: I thought I had come up with something really thought-provoking and all it did was provoke an immediate response.

Perry: No, but one that's very revealing about George W. Bush.

Riley: Exactly, that's true. Thanks, Josh, we really do appreciate this.

Bolten: Nice to see you.

Perry: We love it and we just so love working with you on all of our other projects at the Miller Center. Thank you so much for doing that.

Bolten: Great, great.