

Federal Reserve. And for that, America should be grateful.

Secondly, we did make very good progress on an economic stimulus package. We had a bill come out of the House of Representatives, and there was a bill that could have passed the United States Senate. There was enough votes, had the bill been brought up on the floor, that it would have passed. It took good features from the Republican point of view; it took good features from the Democrat point of view. We brought it together and made a very good package. That's pretty darn good progress, except along the way there was an attitude that said, "Well, maybe we don't need a package." I happen to believe we do need one, and there was a good one that could have passed.

Stretch. I mean, Little Stretch [David Gregory, NBC News]. [Laughter]

Q. Thank you for that. [Laughter]

The President. That's your new name, by the way.

Q. Oh, it is? Okay, good. Thank you.

The President. It's a new year.

Q. [Inaudible]—new year. Why does everything have to be so black and white? Is there not room to maybe phase in the tax cut in the out-years more slowly to protect the Government's bottom line—don't start laughing yet. And the second thing is, what will you say as elements of a new stimulus package? Do you think there's a way to break this logjam?

The President. Well, first of all, the logjam was broken in December of this year. Republicans and Democrats realized it was time to act. We came together, and something would have passed the Senate. In terms of finding a solution that bridged good ideas from both parties, that's happened.

And your first question was, Little Stretch?

Taxes and Economic Recovery

Q. Why does it have to be so black and white on the issue of raising taxes? Couldn't you—

The President. Because a tax cut is part of the prescription for economic recovery. By reducing taxes at a time when our economy was slowing down, the Congress, working with the administration, did the absolute right thing to provide a stimulus. And to change in the midst of the phasing-in of the tax relief plan would send the absolute wrong signal to the economy. It would say we weren't real about it; we weren't serious about tax relief. Tax relief is a part of the economic recovery plan.

Listen, thank you all very much—yes, a couple more. It's a new spirit.

Q. Which one?

The President. You're after Steve [Steve Holland, Reuters], I promise.

Situation in South Asia

Q. Does it appear that war now has been averted between India and Pakistan, and has Pakistan done enough to crack down on terrorists?

The President. I think it's very important for President Musharraf to make a clear statement to the world that he intends to crack down on terror. And I believe if he does that and continues to do what he's doing, it will provide the—it will provide relief, pressure relief, on a situation that's still serious. I don't believe the situation is defused yet. But I do believe there is a way to do so. And we're working hard to convince both the Indians and the Pakis there's a way to deal with their problems without going to war.

Airline Treatment of Secret Service Agent

Q. Mr. President, during the holidays you stood by your Secret Service agent. And American Airlines has come out with a new statement today saying that he was bitter and hostile. What are your thoughts