Inside Obama's bank CEOs meeting

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Freddie Mac CEO John Koskinen, Northern Trust CEO Rick Waddell and Banker's Association CEO Ed Yingling leave the White House March 27.Photo: AP

The bankers struggled to make themselves clear to the president of the United States.

Arrayed around a long mahogany table in the White House state dining room last week, the CEOs of the most powerful financial institutions in the world offered several explanations for paying high salaries to their employees — and, by extension, to themselves.

“These are complicated companies,” one CEO said. Offered another: “We’re competing for talent on an international market.”

But President Barack Obama wasn’t in a mood to hear them out. He stopped the conversation and offered a blunt reminder of the public’s reaction to such explanations. “Be careful how you make those statements, gentlemen. The public isn’t buying that.”

“My administration,” the president added, “is the only thing between you and the pitchforks.”

The fresh details of the meeting — some never before revealed — come from an account provided to POLITICO by one of the participants. A second source inside the meeting confirmed the details, and two other sources familiar with the meeting offered additional information.

The accounts demonstrate that despite the public comments on both sides that the meeting was cordial, the tone in the room was in fact one of mutual wariness. The titans of finance — men used to being the most powerful man in almost any room — sized up a new president who made clear in ways big and small that he expected them to change their ways.

There were signs from the outset that this was a business event, not a social gathering. At each place around the table sat a single glass of water. No ice. For those who finished their glass, no refills were offered. There was no group photograph taken of the CEOs with the president, which typically happens at ceremonial White House gatherings but not at serious strategy sessions.

“The only way they could have sent a more Spartan message is if they had served bread along with the water,” says a person who attended the meeting. “The signal from Obama’s body language and demeanor was, ‘I’m the president, and you’re not.’”

According to the accounts of sources inside the room, President Obama told the CEOs exactly what he expects from them, and pushed back forcefully when they attempted to defend Wall Street’s legendarily high-paying ways.

From the White House, there were five principal attendees: chief of staff Rahm Emanuel, who arrived a few minutes late, Treasury Secretary Timothy Geithner, Council of Economic Advisers chairwoman Christina Romer, senior adviser Valerie Jarrett and director of the National Economic Council Larry Summers. Uncharacteristically, Summers said almost nothing, and it appeared to one participant as if he had been told to remain silent.

To break the ice, JPMorgan Chase CEO Jamie Dimon offered Geithner a fake check for $25 billion, the amount of Troubled Asset Relief Program money that the company has accepted. Although many of those in the room laughed, Geithner didn’t keep the check.

The president entered the room a few minutes later and made a lap of the table, shaking hands and saying hello to the CEOs, several of whom he called by name.

Taking his seat at the table, the president said, “So let’s get to it.” He spoke for several minutes without notes, giving an overview of the economic situation as he saw it. But the first comment that made an impression on several attendees was on Wall Street salaries and bonuses.

The president spoke of public outrage over the high-flying executive lifestyle. “The anger gentlemen, is real,” Obama said. He urged pay reform and said rewards must be proportional, balanced, and tied to the health and success of the company.

The president described the financial system as still “fragile” and asked for cooperation from the CEOs. But he also told them he wouldn't shy away from regulatory reform. Obama wrapped up his remarks and threw the conversation open to the table, saying, "So, who'd like to talk?"

JPMorgan's Dimon spoke first. He began by complimenting the president on the economic team he'd assembled. And he said his industry needs to explain more directly to the American people that the economic recovery plans are already working. Dimon also insisted that he'd like to give the government's TARP money back as soon as practical, and asked the president to "streamline" that process.

But Obama didn't like that idea — arguing that the system still needs government capital.

The president offered an analogy: "This is like a patient who's on antibiotics," he said. "Maybe the patient starts feeling better after a couple of days, but you don't stop taking the medicine until you've finished the bottle." Returning the money too early, the president argued could send a bad signal.

Several CEOs disagreed, arguing instead that returning TARP money was their patriotic duty, that they didn't need it anymore, and that publicity surrounding the return would send a positive signal of confidence to the markets.

Bank of America CEO Ken Lewis cracked a joke at the expense of his peers who'd lavished praise on the administration: "Mr. President," he said, "I'm not going to suck up to Geithner and Summers like the other CEOs here have." Lewis also urged the president not to paint all the banks with the same broad brush.

The president argued that's not what the White House was doing. Indeed, earlier the same week, Obama said at a nationally televised news conference, "The rest of us can't afford to demonize every investor or entrepreneur who seeks to make a profit."

As the meeting wound down after nearly an hour and a half, the CEOs hustled out to live television positions on the White House grounds, where many gave interviews to CNBC.

It had been a landmark day in the history of American capitalism. Unbeknownst to the financial executives, General Motors CEO Rick Wagoner was also on Pennsylvania Avenue that day, meeting with Obama's auto bailout task force. Although the finance CEOs got a meeting with the president, Wagoner saw only Obama's senior advisor Steven Rattner at the Treasury Department. During the meeting, Rattner demanded Wagoner's resignation.

It had been a tough day for CEOs in the nation's capital.

Politico

Um, pitchforks? Is that how a U.S. President talks? What Mr. Obama means is that the bankers were suckers to take even a dime of 'bailout' money, and now they are on the hook.

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