

# **Congress Strikes Tax Cut Deal; Andrew "Dice" Clay Replay Package; Stuart Varney Interview; European Market Update; Carol and Mary Higgins Clark Replay Package**

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**Guests:** David Jones, Lauren Simonetti, Nick Hastings, Peter King, Steve Russell

## **Body**

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IMUS: The IMUS IN THE MORNING program on the FOX Business Network. Giving you the power to prosper.

(BEGIN VIDEO CLIP)

SPEAKER OF THE HOUSE JOHN BOEHNER: Senator Reid and I have reached an agreement on payroll tax relief on behalf of the American people.

(END VIDEO CLIP)

CONNELL MCSHANE, FOX BUSINESS CONTRIBUTOR: Boehner's s about-face. The Speaker of the House announces an agreement to prevent a tax hike on American workers come January 1. House Republicans surrender after weeks of stalemate, but is this a done deal yet? Will the GOP still rebel?

Mitt Romney picking up some support from a former president. It's s not quite an official endorsement for Romney, who was called the best choice for the Republican nomination.

And then there were two -- shopping days, that is. Could procrastinating pay off this Christmas? There's s still time to get those last-minute gifts and retailers are counting on the sales. So that's s where we are.

Good morning, everybody. I'm Connell McShane. Merry Christmas. Welcome to IMUS IN THE MORNING. Be here all morning long with you until "VARNEY & CO." in the 9 o'clock hour. Plenty of headlines to get through, also some great interviews from Imus. We'll mix it up, because we have the big news that came in yesterday on the payroll tax cut extension.

So we'll look at that from all kinds of angles. Also, David Kuo is going to join us from overseas, Motley Fool U.K., always has great analysis and he's s a funny guy of the overseas markets.

And then Lieutenant Colonel Steve Russell, that'll be Imus's s interview. His book is called "We Got Him," an account of the capture of Saddam Hussein. So there's s a good interview. And Ray Hennessey will also be on with the analysis of the payroll tax cut extension. So all of that is coming up throughout this hour. Then we have much more in the next few hours.

Congress Strikes Tax Cut Deal; Andrew "Dice" Clay Replay Package; Stuart Varney Interview; European Market Update; Carol and Mary Higgins Clark Replay Package

But now let's get to some numbers here to start you off Friday morning. European markets are in the green. We're up across the board, whether it's London 3/4 of 1 percent, Paris 1.2 percent and Germany by about a half of 1 percent.

And Manoj Ladwa has those European markets covered. He's the senior trader at ETX Capital, who joins us now live from London. So I guess the question of the day is what drives things today, Manoj? This may be the lightest of days as everybody gets set for Christmas. But what's driving sentiment?

MANOJ LADWA, ETX CAPITAL'S SENIOR TRADER: Well, it's a -- it's a -- I feel it's a bit of window dressing by the bond management sector going on, certainly, over the last couple of days as they buy into the market and make their end-of-year figures look good.

And to be eligible for a decent bonus, volumes are very, very thin at the moment. And that's why it's not difficult to push the market a few points higher, a few points lower.

The Santa rally, well, a couple of percentage points in the last few days or so, doesn't really qualify for a decent rally. And there's the underlying problems of the economy and certainly for Europe still there. And I wouldn't be surprised after next week, the few trading days that we have next week, that the market pulls back on the down side.

MCSHANE: All right. Let's talk that a little bit more, what we can expect going into the new year, because you bring up -- and for people who don't know, this is just a yearly occurrence, this quote, unquote, window dressing that Manoj talks about, where it's a game played on Wall Street and everybody else, where it's not just the fund managers may be down a little bit for the year.

They need to show their investors they have a good performance. They know they can move the market a little bit, make some gains. It's just what happens at the end of a year. What's going to happen at the beginning of next year? What's your big thing to watch come the first of 2012?

LADWA: Well, certainly, Italian debt -- Italy has a very large amount of debt to roll over. And we've tied it to lean credit markets, despite the measures by central banks a couple of week s ago, and despite the measures by the ECB a few days ago.

The credit markets still remain fairly tied to -- it will be a case of watching and waiting whether Italy is able to renew some of that debt.

If not, as 10-year yields are already trading very close to that 7 percent level, and they're likely to create fire (ph), and although Italy is not Greece and it can have a lot more leeway on its yields, it's not going to be that much and eventually Italy may have to turn around to the E.U. and look for -- look for a bailout. And that could send equities sharp lower.

MCSHANE: All right. Fair enough. That's a -- that's a good one. Italy is the country to watch in the new year. We talked about Spain earlier this week, with the pretty decent bond auction but Italy is the country to watch.

Manor, thank you very much. Happy new year to you. And thanks for coming on with us.

LADWA: And to you too, Connell.

MCSHANE: Senior trader ETX capital live from London here this morning. Let's go to Asia now, and check out the Asian markets before the open of trade here in the U.S. And then we'll show you our futures here in the United States.

You'll notice there's no Japan on the board today because they are closed there. Emperor's birthday in Japan. It's a day off for Japanese traders. But South Korea, Hong Kong, Shanghai and China, they were all up. And more details on the trade in Asia now from Lauren Simonetti.

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LAUREN SIMONETTI, FOX BUSINESS REPORTER: Good morning. Asian stock markets rose Friday in thin holiday trading. The Shanghai and China rose for the first time this week up 0.85 percent. The KOSPI in Seoul added 1 percent in the Hang Seng, and Hong Kong rose 1.3 percent. Japan's s markets were closed today for their public holiday, the emperor's s birthday.

Many other stock markets closed early today, including Australian stocks. And global markets are closed on Monday in celebration of Christmas. The gains in Asia tracked a positive finish for U.S. stocks on Thursday on many signs that the domestic recovery here in the U.S. is gaining strength.

The U.S. is the world's s biggest economy and a crucial export market for many nations in Asia, so they want to know we are doing OK. Fitch, the rating agency, did say it expects growth in developing Asian nations to slow a bit in the new year but still expand at a robust 6.8 percent pace. That should help bolster the wealthier nations in the region, and those comments failed to ding stocks (ph).

The commodities faced off on big gains today, particularly among coal and copper producers. Financial firms also advanced, as did exporters, including Samsung.

Back to you.

MCSHANE: Lauren Simonetti there with the Asian markets. And now to our own markets and the stock index futures ahead of Wall Street trade this morning, up 40-plus points on Dow futures. The thin trade that Manoj talked about over in Europe certainly will be a fact of life, you would think here in the United States as well. S&P and NASDAQ futures are also rising.

And a quick look at commodities this morning. Remember, we have the deal in place on the payroll tax cut extension. And we'll talk more in detail about it in a few minutes. But the oil prices just a few cents below \$100 a barrel, \$99.78. And gold still moving up and down. It's s at 16 -- almost 1,610 an ounce. All right, Diane Macedo in the news room this morning as always with all your headlines.

Good morning, Diane. What are you watching?

DIANE MACEDO, FOX BUSINESS ANCHOR: Good morning, Connell. Well, for all the last-minute shoppers out there, there are some great deals to be found but those deep discounts may not be so great for the retail sector.

According to "The New York Times" analysts say while markdowns are standard for the holiday season, they're more widespread than last year, suggesting that retailers are stuck with too much merchandise. Toys "R" Us, for example, is offering a buy-one-get-one-half-off deal on popular toys, while American Eagle is taking 40 percent off almost everything.

The International Council of Shopping Centers says while sales over Thanksgiving weekend were surprisingly strong, they cut into shopping that typically takes place this month.

Checking today's s economic calendar now we'll be getting the latest numbers on durable goods for November as well as personal income and spending. Incomes are expected to rise by 0.2 percent and spending by 0.3.

Meanwhile, the headline number on durable goods is expected to rise by 2 percent, and that would be a rebound from last month's s revised decline of 0.5 percent. If you factor out the transportation component, orders are expected to rise by 0.5 percent.

Durable goods, you might remember, are items built to last three years or more, like refrigerators, dishwashers and cars, both of those reports come our way at 8:30 Eastern time. And we'll, of course, have those numbers for you live.

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Meanwhile, the federal government has approved a more than \$1.9 billion deal between AT&T and Qualcomm for unused wireless airwaves. In the deal, AT&T will get 700 MHz airwaves from Qualcomm, which had used the technology for its failed FLO TV mobile television service.

AT&T plans to use the airwaves to boost its 4G network. The approval comes just days after AT&T gave up on its \$39 billion bid for T-Mobile on the government's s anti-trust concerns.

An AIG CEO reportedly said he'd like to stay on the job longer than previously planned. Speaking with "The Wall Street Journal" Robert Benmosche says he told the company's s directors he'd like to remain in his position for another year after initially telling the board he planned to retire sometime next year.

The "Journal" says AIG's s board doesn't have to approve Benmosche's s decision to stay. He was diagnosed with cancer late last year after becoming CEO in 2009. He also previously threatened to quit two years ago after clashing with the federal government on oversight and restrictions for the bailed-out company.

Connell, back to you.

MCSHANE: Diane, thank you very much for that.

And millions of Americans won't be seeing a smaller paycheck at the beginning of the year. That's the big story that we have this morning really. It's all thanks to this payroll tax cut agreement made in Congress finally. And FOX News chief Congressional correspondent Mike Emanuel has all the details.

(BEGIN VIDEO CLIP)

BOEHNER: Senator Reid and I have reached an agreement on payroll tax relief on behalf of the American people.

(END VIDEO CLIP)

MIKE EMANUEL, FOX NEWS CHIEF CONGRESSIONAL CORRESPONDENT: After days of political bickering, House Speaker John Boehner announced a bipartisan deal that ensures 160 million Americans will not see their payroll taxes increase on January 1st. Boehner said the deal wasn't what he wanted noting that a two-month extension created uncertainty for businesses in this sluggish economy.

BOEHNER: When everybody called for a one-year extension, the payroll tax deduction, when everybody wanted a full year of extended unemployment benefits, we were here fighting for the right things. It may not have been the -- politically the smartest thing in the world, but let me tell you what, I think our members waged a good fight.

EMANUEL: The deal also prevents a cut in Medicare reimbursement rates for doctors. In a paper statement, President Obama said because of this agreement, every working American will keep his or her tax cut, about \$1,000 for the average family. That's about \$40 in every paycheck. The president is urging Congress to extend the tax cut and unemployment insurance for all of next year.

SEN. CHARLES SCHUMER: It's good news that the House finally agreed to the bipartisan Senate bill and the middle-class tax break will be preserved. It's now up to both sides to come together and extend this for a whole year.

EMANUEL: The House and Senate are expected to approve the package in a voice vote on Friday. The president will then sign it into law. On Capitol Hill, Mike Emanuel, FOX News.

MCSHANE: The only thing that could hold that up is if some member were to object on the floor, so that's s the only thing to really look out for today.

Meantime, Former President George H.W. Bush is backing former Massachusetts Governor Mitt Romney in the GOP race. The former president told the "Houston Chronicle" he supports Romney because of his stability, experience and principles.

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Now a spokesman for President Bush says while the interview with the paper was not an official endorsement, the former president's thoughts stand as they are written.

All **right**. Also this morning, another Romney supporter, New Jersey Governor Chris Christie crushed the hopes of many Republicans when he announced he would not be running for president in 2012, but now Christie says he has not ruled out the vice presidency.

He's endorsed Romney, of course, and says he does not think Romney's presumptuous enough to talk about anybody for the V.P. slot at this point. But he says if Romney wants to, then they could have a full conversation about that. So didn't rule it out.

New Army report is revealing that up to 64,000 graves at Arlington National Cemetery require additional review. That's about one in every four graves at the cemetery.

The Army compared internal records to information on every headstone, finding potentially thousands of errors such as misspelled names, incorrect military ranks or dates of birth and death. The cemetery's executive director is saying that some discrepancies are typos on internal documents, not necessarily mistakes on the actual headstones.

All **right**. Much more coming up here for you this morning. David Kuo will join us, Motley Fool U.K., and he'll tell us what's going on overseas and what might happen going into the new year and a little more on the payroll tax cut extension, and also Imus's interview with Lieutenant Colonel Steve Russell.

His book is called "We Got Him." It's an account of the capture of Saddam Hussein. Stick around for that, it's a good interview. And we'll be **right** back on FOX Business.

MCSHANE: This is what we're facing here. There's a holiday in Japan, so they're not up on the Asian board today, but the KOSPI and South Korea was up 1 percent. And the Hang Seng in Hong Kong was up, as was the Shanghai composite in China. The European markets actively trading this morning to the upside by 0.8 percent in London and the other markets are also up.

And our futures indicating that the Wall Street opened today for a full trading day, may be -- may be higher, up 44 on the Dow. Remember, Monday is the Christmas holiday for the markets. That's the federal holiday. The oil prices almost \$100, \$99.75, up 22 cents and gold down \$1.50. Diane is back from the newsroom now with some more **headlines** that she's following for you this morning.

Diane?

MACEDO: Hey, Connell. So hedge fund manager Philip Falcone has reportedly rejected a settlement offer from the SEC **over** a number of potential violations. According to "The Wall Street Journal," the deal with the agency would have banned Falcone from the securities industry.

The "Journal" says he along with two **top** lieutenants from his Harbinger Capital Partners firm were notified by the SEC. They could face civil fraud charges. Falcone, who is known for big wins and losses on bets against subprime mortgages, is being investigated by the agency on three fronts, including potential market manipulation.

Shares of Eastman Kodak, meanwhile, climbed as much as 20 percent in after-hours trading after it announced the management change and plans to sell off a business. Kodak says it's promoting general counsel Laura Quatela to president, and she'll work alongside the company's current president, Phil Faraci.

Separately, Kodak, it says, is selling off its Eastman gelatin business for an undisclosed amount. The company has been aggressively looking to shed assets and warned **last** month that securing a patent deal or raising rescue financing **over** the next 12 months is critical to operating its business.

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Netflix is also slashing the annual stock option for allowance for its CEO. According to a regulatory filing, Reid Hastings will now get just half of the \$3 million stock option allowance he received this year in 2012.

His base salary, meanwhile, will remain unchanged at \$500,000. The online video service forecasts losses for next year and has come under fire for hiking prices as well as announcing plans to spin off its DVD-by-mail rental service, an idea that has since been scrapped by the company. Netflix's stock prices plunged 75 percent since July, wiping out \$12 billion in shareholder wealth.

And shares of Rambus jumped over 12 percent in after-hours trading after it struck a patent licensing deal with Broadcom. The deal revolves around its complaint with the International Trade Commission against Broadcom over intellectual property rights regarding microchips.

Rambus says it will license its patent for integrated circuits used in chips made by Broadcom. The company did not disclose any financial details of the deal or which patent technology is part of that agreement.

Connell?

MCSHANE: All right, Diane, thank you very much.

Diane Macedo in the newsroom here. As we come up on 18 minutes past the hour, IMUS IN THE MORNING on a Friday morning. We'll hear from Imus himself in a few minutes with his interview with the guy who wrote the book on the capture of Saddam Hussein. But right now David Kuo joins the program from London, The Motley Fool U.K.

It's always good to see David and, you know, I think I'm going to be selfish and start with a U.S. story and then we'll get to Europe in a moment. But you -- they passed this payroll tax cut extension. Well, they're going to today, we think.

They got a deal yesterday in the U.S. Congress. To me, that's a United States political story more than it's an economic or a financial market story. But maybe I'm wrong. Sitting from where you are, are you relieved to see this? Or do you kind of just write it off?

MOTLEY FOOL UK'S DAVID KUO: Well, I tell you what, Connell, I am relieved because at least you're all pulling in the same direction, which is something that we're not doing here in Europe. At least you have some objective in mind, and both the Republicans and the Democrats are saying we need to do something.

And in the case of John Boehner, what he's actually done is to say we need some kind of a consensus, we need some kind of solution. And I think this is actually very reassuring for the market because we know that America has a problem.

You need a solution and you have a destination. So what you need to do is to get from where you are now to where you need to get to later on without any kind of bickering. And I think Europe can take a lesson from America and stop this bickering that is going on within the Eurozone itself.

MCSHANE: Another case where we're maybe the best of the worst bunch because it's not often that the United States Congress gets a compliment for coming together on anything. And it took them long enough to do this, by the way. And it's still not done yet but it has to be passed today.

With that said, what's your view from sitting in London of the U.S. economy at this point? Is it only Europe that's holding us back from recovery? And if it weren't for the European debt crisis, would the U.S. recovery be much stronger? Or do you look at the U.S. and say, oh, no, no, the U.S. has its own issues that it needs to deal with?

KUO: Well, I think what the U.S. has done is to use this thing called quantitative easing, in other words, it is printing money and buying up these bets that are required at the moment. So it's literally sort of flooding the American economy with cash.

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And I think as far as Europe is concerned, they're looking at that and saying maybe this is the way we should be going. Europe is not only looking at America, but also at the U.K. and saying quantitative easing does actually work.

And so, therefore, I think what we need to do is to take some lessons from America and say that this is a unique problem that we have. And the solution to this problem is to flood the economy with money and worry about inflation later on. And at the moment inflation is something that we need to be concerned about, but it is something that is further down the line.

So maybe America is doing the right thing. We're seeing that the jobless figures are coming down. We're seeing the U.S. economy is growing again. So I think this is -- these are very reassuring.

MCSHANE: You're going to have to get a memo out, or an e-mail or something to the Germans if you'd like to go in that -- in that direction, because they seem to hold all the cards over there and are holding back against, you know, more stimulative measures or more of the types of things you're talking about, right?

KUO: Well, they are the stumbling block. I mean, Germany is very concerned about inflation. I can understand why they are concerned about inflation. But I think what the ECB, the European central bank is doing is they are trying to circumvent that in some ways. And we saw in the last couple of days the European central bank has loaned European banks somewhere in the region of half a trillion euros.

Now, when I look at this, I think this is a kind of quantitative easing. Ultimately, if it walks like a chicken and talks like a chicken, it is a chicken, Connell. And I think as far as the ECD is concerned, it is not using the word quantitative easing but in a roundabout sort of way it is doing that.

And what it is doing is to give this money to the European banks and they're saying please, can you use that for buying up sovereign debt? Can you use this for buying up debts in Europe? But guess what? The banks being what they are, they are going -- we are going to actually put the money where we're going to get the best possible return for our investors.

And so therefore, they're pumping it into not the debt market but instead they're actually pumping it into the stock market, which is why the stock market is rising at the moment.

You know, when you have a famine-stricken area and then you think, right, I'm going to drop a food parcel in there and that food parcel is being taken by the hyenas and the hyenas are having a great time, but the rest of the animals in the kingdom are still starving, then you actually sort of know where the money is going.

So I think if you want to have a look at money flow in Europe, have a look at the bond market and have a look at the stock market. Which one is actually sort of doing better? It's s certainly not the bond market because the Italian yields at the moment -- the Italians are still paying close onto 7 percent borrowing money.

(CROSSTALK)

MCSHANE: That's s what we are talking about.

KUO: . actually going gangbusters.

MCSHANE: That's s what we were talking about with Manoj Ladwa, and I think what we were talking about with you before we got sidetracked on the hyenas there, David, was also the Italians, right? The -- he, Manoj was saying, that we had Spain, a pretty good bond auction earlier this week. But it's s the wild card as a trader.

ETX Capital joined us earlier this hour from London. He said the Italians are the wild card going into the early part of next year. We really have to watch Italy. Will they come and ask for a bailout? And if so, then we could have some real issues.

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KUO: Well, I think you're absolutely right. I think, you know, people are trying to piece together this jigsaw puzzle and they're saying what does Europe actually look like and what does Europe actually need? We all know what Europe needs.

Europe needs money. Unfortunately the Germans are reluctant to give Europe money because they're saying that this actually goes against everything that they believe in.

Unfortunately I think when you have a look at Europe, what Germany is trying to do right now is to say, right, there is a fish in the pond and the only way we're going to get that fish is to drain that pond completely just to try and get that one particular fish.

I think there are other things that are available and you don't need to use anything as drastic as that in order to get the fish. Eat something else instead, Connell.

MCSHANE: Fair enough, David. Thank you very much, always great, thank you for coming on. And we'll talk to you again soon hopefully. David Kuo at the Motley Fool U.K.

All right, Imus is coming up here in just a moment. We'll have his interview with Lieutenant Colonel Steve Russell on the book about Saddam Hussein and his capture. It's called "We Got Him."

And then, a little bit later on Ray Hennessey on the deal over the payroll tax cuts and the extension there. And we'll also have some lighter moments here the Friday before Christmas from Imus and our whole crew if you keep it here on IMUS IN THE MORNING on FOX Business.

MCSHANE: Asia markets were higher overnight ahead of our open in the United States. European markets are also posting some gains. As we'll flip it over and take a look at London, up 0.75 percent. The other markets are higher.

And the futures are indicating a higher open to the last trading day before Christmas in the U.S. We'll watch to see if oil crosses \$100. It's getting closer -- \$99.66, and gold at \$1,608. Those are your numbers. Diane Macedo with some stories behind them, back from the newsroom with the headlines of this morning. We also -- we do have some economic data today, Diane.

MACEDO: That's right, and they can always change things up on us. So we'll have several economic numbers coming our way, and that's at 8:30 Eastern. First we'll be getting the latest numbers on durable goods for November as well as personal income and spending. Incomes are expected to rise by 0.2 percent and spending by 0.3 percent.

Meanwhile, the headline number on durable goods is expected to rise by 2 percent. That would be a rebound from last month's revised decline of 0.5 of a percent. If you factor out the transportation component, orders are expected to rise by half of one percent. Durable goods are items built to last three years or more.

And attention Christmas shoppers, there are some great deals out there for those of you waiting until that last minute. But the deep discounts may not be so great for the retail sector. According to "The New York Times," analysts say while markdowns are standard for the holiday season they are more widespread than last year, suggesting retailers are stuck with too much merchandise.

Toys "R" Us, for example, is offering a buy-one-get-one-half-off deal on popular toys, while American Eagle is taking 40 percent off almost everything. The International Council of Shopping Centers says while sales over Thanksgiving weekend were surprisingly strong, they cut into shopping that typically takes place in this month.

Hedge fund manager John Paulson is reportedly facing a dismal December as he looks to wrap up a very rough 2011. According to a person familiar with the situation, Paulson and Company's Advantage Plus fund fell another 9 percent through December 16th.



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The fund, which has been Paulson's s worst performing this year, has lost 52 percent of its value in 2011. The Paulson Advantage Fund, which is the firm's s largest, has fallen 6 percent this month, with the fund falling 36 percent year-to-date. In comparison, the S&P 500 is essentially flat for the year.

The federal government has approved a more than \$1.9 billion deal between AT&T and Qualcomm for unused wireless airwaves. In the deal, AT&T will get 700 MHz air waves while Qualcomm -- from Qualcomm, rather, which had used the technology for its failed FLO TV mobile television service.

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The "Journal" says that AIG's s board doesn't have to approve that decision to stay. He was diagnosed with cancer late last year after becoming CEO in 2009 and Benmosche had also previously threatened to quit about two years after clashing with the federal government on oversight and restrictions for the bailed-out company.

Connell, back to you.

MCSHANE: All right, Diane Macedo.

Now that the war in Iraq has ended for the U.S. military, it's s a very interesting time to hear from Imus' next guest, who talks about the capture of Saddam Hussein, and here's s that interview now with Lt. Col. Steve Russell.

(BEGIN VIDEO CLIP)

IMUS: Please welcome now to the IMUS IN THE MORNING program, Lt. Col. Steve Russell, who's s written the book, "We Got Him: A Memoir of the Hunt and the Capture of Saddam Hussein."

Good morning, Col. Russell. How are you?

LTC STEVE RUSSELL, COMMANDER OF 1-22 INFANTRY 2003-2005: I'm well, sir, how are you?

IMUS: I'm well. I'm fine. We're just -- I was just telling Colonel Russell -- he's s jerking my chain here about his five favorite songs. But he said well, what are my five favorite songs, like I would know. But he sings one himself, right, Lou?

LOU RUFINO, PROGRAM ENGINEER: Yes.

IMUS: I thought it sounded pretty good, didn't it? Play a little bit of it.

(BEGIN AUDIO CLIP, "I'LL THINK OF YOU")

IMUS: It's s called "I'll Think of You."

(MUSIC PLAYING)

IMUS: Not only are you an American hero, you can sing a little bit, so.

Huh?

(END AUDIO CLIP, "I'LL THINK OF YOU")

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RUSSELL: I've been playing and singing for a long time, since college. But that particular song is one that I sang at a memorial service for our fallen soldiers during the hunt for Saddam. I got to play it for many families also that had lost soldiers.

IMUS: Well, first of all, thank you for your service (inaudible).

RUSSELL: Thank you.

IMUS: Lieutenant Colonel Russell. Well, tell me about "We Got Him." Tell me about how you -- how you were picked -- you were picked, somebody else to lead groups to find this guy or what?

RUSSELL: Well, our involvement became, just -- we were assigned to go to Tikrit, Iraq, as a part of an infantry task force, and it became a team of teams where we worked with Special Operations forces and other regular units. Saddam hung around Tikrit after he was overthrown from power and that's how we became involved with the hunt.

IMUS: So were there a lot of people looking for him and you just happened to find him, or what?

RUSSELL: Well, I wouldn't -- there were -- of course everybody was hoping and looking. But as far as the groups that literally were on the hunt, you had two Special Operations forces teams, one led by a guy I'll call Jack and one led by a guy called John. Our task force worked a lot with them, scores of raids.

Colonel Jim Hickey, whose brigade -- my battalion was a part of, he led the operations in the vicinity of Tikrit. And so what this book will show you is the players, how all the information came about and really how it was a soldier's story from the bottom up rather than something handed top-down. And it's a great story of success for our men and women in uniform.

IMUS: I wonder why Saddam Hussein went back to his hometown?

RUSSELL: It's a great mystery. But his whole life was tied up in being who he was. And the one place that he could go where he felt safe was his hometown connections.

Once we learned about that and those controlling families and bodyguards around him, then we were able to get on that trail, go after those people, his social networks, in the hopes that we could -- we could find him. And that's what happened.

IMUS: Did somebody rat him out?

RUSSELL: There was -- the last public appearance of Saddam was in April 6, 2003. He's in Baghdad. Everybody's cheering him. The guy gets up on a back of a car with a pistol protecting him. and then later drives him out of Baghdad.

That guy's name was Mohammed al-Musslit, a virtual unknown. And we were able to find Musslit and a lot of his brothers. And from there the trail led all the way. We felt that he was a key guy, that if he were ever captured, he would know Saddam's location. He was captured on December 12th, and within 24 hours we had Saddam.

IMUS: We were talking with Lieutenant Colonel Steve Russell. The book is called "We Got Him!: A Memoir of the Hunt and Capture of Saddam Hussein." So after you capture -- what was his name?

RUSSELL: Muhammad al-Musslit.

IMUS: So why did he talk a little something?

RUSSELL: A lot of these guys, when they would be captured, like a criminal on the run, they would give up the goods.

IMUS: Really?

RUSSELL: Many of them.

IMUS: Didn't have to waterboard him or anything?

RUSSELL: No. We get asked that all the time, if people were.

IMUS: I'm for waterboarding, by the way, because you know why? It's fun. So, but go ahead.

RUSSELL: Well, fortunately, many of these guys would be haggard and very low morale. When they were caught, they would give up a lot of the goods.

IMUS: So did he -- did he point to Saddam Hussein being in that hole you guys found him in?

RUSSELL: He did.

IMUS: Oh, he did?

RUSSELL: In fact, the night of the raid there were about a thousand soldiers involved with the raid when you include the Special Operations air assets and the other regular helicopters and things that were in the area.

You had a couple of teams that reinforced from Baghdad -- John's team and Colonel Hickey had all of the conventional forces in a giant cordon around the two locations we thought Saddam could be at.

Musslit was brought along for the raid and ultimately was able to point to the location. Had he not, it would have been very difficult to find Saddam, although I think in time we would have continued to look over the next two or three days knowing that the intelligence was very good.

IMUS: Were you there when you pulled Saddam out of the hole?

RUSSELL: I was not at the hole. I was commanding soldiers on the raid. And you had five or six units that were involved, plus these Special Operations forces.

IMUS: Was the guy who ratted him out, was he -- you said he was there.

RUSSELL: He was. He..

IMUS: Was he there at the hole?

RUSSELL: He wasn't too happy about it but he was brought along (inaudible).

IMUS: Well, sure.

RUSSELL: . and that's.

IMUS: Did Saddam see him?

RUSSELL: They ushered him out and along with the cook and brother, the cook's brother who was driving Saddam that was with him, they were actually the ones that put Saddam down in the hole, fled in the opposite direction through the orchard, were later caught by a guy named Sergeant John Iverson.

And they didn't give up the goods but Musslit was brought in and under pressure he pointed with his foot where the -- where the foot mat was and the hole.

IMUS: What kind of pressure?

RUSSELL: Really -- I mean, by that.

Congress Strikes Tax Cut Deal; Andrew "Dice" Clay Replay Package; Stuart Varney Interview; European Market Update; Carol and Mary Higgins Clark Replay Package

IMUS: Did you twist his arm or get him in a hammerlock?

RUSSELL: Well, they pressured him.

(CROSSTALK)

IMUS: Sure. Well, good. Oh, no, good. I'm for that. Believe me.

RUSSELL: And so, he -- by that point, he knew that they were right there. He knew Saddam was underground. They had gotten so far. So he points to where it was with his foot and.

IMUS: Do you think -- this is probably a dumb question -- which I ask a lot of them, by the way. But do you think -- this really is a dumb question but I'll ask it. Do you think Iraq is going to be a better place.

RUSSELL: No question.

IMUS: . without him?

RUSSELL: No question.

IMUS: No matter what happens?

RUSSELL: No question. You ask Iraqis whether Iraq is better today without Saddam, and they will overwhelmingly say yes. This notion that Saddam made the trains run on time like Hitler and Mussolini is just sheer nonsense. We forget how evil he was.

The 350,000 Kurds and Shias murdered, 20,000 political opponents, people from his own families and tribes murdered. He attacked every neighboring country except for Syria. This man was a pariah on the planet, and he had to be brought to account. And I'm proud to have been a part in his demise as well as a lot of the folks that were involved with the hunt.

IMUS: There are a number of people, some in the military, some not in the military -- excuse me; I have the hiccups -- who think this operation was -- I mean, no reflections on you or the troops, God bless each and every one of one of you -- but think that the overall operation was pointless and a waste of time.

RUSSELL: Well, that's easy to armchair quarterback. But if you ask the soldiers that fought there and those of us that have sacrificed there, we don't feel that way at all. In fact, during the pitch for the surge, it was soldiers and their leaders that were begging this country, let us finish the job. Let us get it done.

We had politicians both sides of the aisle that lost their spine, declaring the war lost, saying we needed to bail. And it was the soldiers and their leaders that were making the case, let us get it done.

And I'm glad they did because had we listened to them four years ago, Iraq wouldn't be on the most favored nation trading status as it is today. It wouldn't be paying off its debts, which is more than maybe what our country can say.

It wouldn't be trading with people in the region, exporting food, having every resource for success in the future. Iraq is a success story because of the men and women in uniform of the United States of America.

IMUS: Well, good luck with this book. And, again, thank you for your service to this country. And not a bad record you have there, so...

RUSSELL: Well, thank you, and.

IMUS: Have you have recorded it? Well, you have recorded it (inaudible).

RUSSELL: Well, I played that on live television in Texas, but I've not professionally recorded.

Congress Strikes Tax Cut Deal; Andrew "Dice" Clay Replay Package; Stuart Varney Interview; European Market Update; Carol and Mary Higgins Clark Replay Package

IMUS: Where in Texas?

RUSSELL: In Waco.

IMUS: Oh, OK. Well, Merry Christmas. Happy New Year.

RUSSELL: Well, Merry Christmas to you. And thanks. And I hope you enjoy the book. It is a very compelling story of how we got there.

IMUS: Well it sounds like it. So it's called "We Got Him!: A Memoir of the Hunt and Capture of Saddam Hussein," by one of the guys who, well, hunted him and captured him, Lt. Col. Steve Russell.

(END VIDEO CLIP)

MCSHANE: There you go, and IMUS IN THE MORNING as we continue here this morning. The big story is coming out of Washington, D.C., where they do have a deal finally on that payroll tax cut extension. We're going to talk about it live coming up next.

Ray Hennessey from FOX Business will join us on that. We also have a few laughs coming your way from Imus and our whole crew. So keep it here. It is IMUS IN THE MORNING on FOX Business, live from New York.

MCSHANE: Asian markets higher overnight by more than 1 percent in both South Korea and Hong Kong. Shanghai, the market in mainland China up by 0.9 percent. No trading in Japan because of the holiday today. And the FTSE 100 in London, it's up 1 percent. CAC 40 in Paris more than that, and the German DAX also higher.

That's where we stand ahead of our open which is indicated to be higher by the futures. S&P futures up 6. And the commodities? Oil, \$99, plus this morning just below 100 bucks, \$99.79 is where we are; \$1,608 or thereabouts for gold, down \$2.80.

All right. Let's go to Diane and once again in the newsroom, who joins us with some more headlines. I believe Kodak is up to something we need to know about.

MACEDO: That's right, Connell, so shares of Eastman Kodak climbed roughly 20 percent in extended trading after it announced a management change and plans to sell off a business. Kodak said it's promoting general counsel Laura Quitela to president and she'll work alongside the company's current president, Phil Feraci.

Separately Kodak said it's selling off its Eastman gelatin business for an undisclosed amount. The company's been aggressively looking to shed assets and warned last month that securing a patent deal or raising rescue financing over the next 12 months is critical to operating its business.

Shares of Rambus meanwhile jumped over 12 percent in extended trading after it struck a patent licensing deal with Broadcom. The deal resolves a complaint Rambus filed with the International Trade Commission last year against Broadcom over intellectual property rights regarding microchips.

Rambus says it will license its patent for integrated circuits used by chips and made at Broadcom. The company did not disclose any financial details of the deal or which patent technology is part of the agreement.

And Netflix is slashing its CEO's annual stock option allowance. According to a regulatory filing in 2012, Reed Hastings will get just half of the \$3 million stock option allowance he received this year, which his base salary will remain unchanged at \$500,000.

The online video service forecast losses for next year and has come under fire for hiking prices and announcing plans to spin off its DVD-by-mail rental service. You might remember they scrapped that idea pretty quickly.

Congress Strikes Tax Cut Deal; Andrew "Dice" Clay Replay Package; Stuart Varney Interview; European Market Update; Carol and Mary Higgins Clark Replay Package

Netflix's stock price has plunged 75 percent since July, wiping out \$12 billion in shareholder wealth. And hedge fund manager Phil Falcone has reportedly rejected a settlement offer from the SEC over a number of potential violations.

According to "The Wall Street Journal" the deal would have banned Falcone from the securities industry. The "Journal" says he, along with two top lieutenants from his firm, Harbinger Capital Partners, were notified by the SEC that they could face civil fraud charges.

Falcone, who's known for his big wins and losses on bets against subprime mortgages is being investigated by the agency on three fronts, including potential market manipulation.

Connell, back to you.

MCSHANE: All right, Diane Macedo, thank you very much for that.

As we get back to our top story of the morning, which is this deal that's in place over the payroll tax cut extension. So Ray Hennessey, the director of business news at FOX Business, joins us with more perspective on it from our newsroom.

You know, I was trying to say earlier, Ray, that this is much more a story, at least in my view, about U.S. politics than it is about, you know, financial markets or even economics. But what do you think?

Ray Hennessey Managing Editor and Director of Fox Business Channel Website: Well, you know, the one impact that it had and the one lesson that it learned is midway through, when everybody was kind of fighting over this and that, it seemed that nobody in Congress realized that their fighting had a financial impact on businesses.

And, you know, we talked about that at length yesterday. And if you see what the House deal is, the House deal's sort of protecting small businesses so they don't have to do these short-term things and change their systems and everything.

And I think they're coming to the realization these kind of fights actually do have an impact on, you know, sometimes corporate profitability and I think you're getting -- you're getting a sense of that.

But, you know, it -- this reminds me of the old Churchill phrase about academia, that the fights are so big because the stakes are so small. You are fighting over, you know, \$40 every two weeks in people's paychecks.

Now, you know, you don't want to pooh-pooh that, particularly in these bad times. You know, every bit helps.

But to have such a gigantic battle that really put a speakership at risk, you know, made Obama, you know, have to stay back from vacation, make Congress kind of stick around and made the country sit up and take notice over something that was, you know, essentially \$1,000 a year, seems in retrospect to have been a silly move on everybody's part.

MCSHANE: And the Republicans are taking the heat for that this morning in just about every account you read of it. We're actually going to have Congressman Peter King call in in about 20, 25 minutes. We'll see what he thinks, especially of the freshman Republicans having held out as much as they have. And maybe they will today. I mean, somebody could object on the House floor, which.

HENNESSEY: Sure.

MCSHANE: . could throw this thing.

(CROSSTALK)

MCSHANE: . past the Christmas holiday.

Congress Strikes Tax Cut Deal; Andrew "Dice" Clay Replay Package; Stuart Varney Interview; European Market Update; Carol and Mary Higgins Clark Replay Package

HENNESSEY: Look, and -- but, Connell, do you really want to complain that people stuck to their principles? I mean, that's the other thing, is, you know, you know, we all looked at it and said, well, be practical, do this. But, you know, there's something very good about people being elected to Congress on promises that they keep.

Now you've just got to factor that into any decisions that you make if you're the speaker and your leadership in Congress, knowing that these are folks who don't mess around. They said they were going to do something. They've done it. They are loath to not do it. They feel thrown under the bus when deals are made without their input.

And what this means is that the political calculus really for 2012 has to be that you've got to have some of -- some of that perspective in any negotiations that you have going forward. And let's not forget, you know, these folks were elected to Congress because of these promises that they made.

So, you know, there is -- I know that there's a lot of criticism that these guys were standing in the way. But, you know, you look at it from a marketing and economics standpoint, nobody ever complains about gridlock.

We actually like gridlock, you know. Markets don't like it when one party is in power and can do whatever they want. You know, the more that you gum up the works, the better because for the most part you're going to leave the markets alone.

MCSHANE: Where -- yes, that was kind of the rule of thumb all through the '90s. But the -- where does the line -- where is the line drawn, do you think, for markets and for economies between gridlock and dysfunction?

HENNESSEY: Well, I -- you know, if you look at the -- you know, now we're going to get into political history, Connell. I mean, dysfunction has been the way of life for Congress since the very beginning.

The, you know, the first Congressional Congress was, in some ways, dysfunctional. So, you know, you've got -- that's been baked in. The reason we have all these checks and balances is to make sure that things don't work and that don't move too quickly.

MCSHANE: I understand. But now you think -- this is -- this is pretty big. I mean, the last few months have been.

HENNESSEY: Well, in the end, Connell, right. But in the end.

MCSHANE: . (inaudible) rough.

HENNESSEY: But, Connell, in the end, what do we have? We've got a bill.

MCSHANE: We do.

HENNESSEY: We've got a compromise. We have it. So was that dysfunctional? Or did we get to the end of the year without getting this? You have a fight along the way, you have a bunch of people yelling and screaming at one another. But I hate to say it, that's what we elect them for.

MCSHANE: I thought David Kuo made a good point saying maybe the Europeans could take this -- because you just look while we're sitting over there, he was looking at it -- he's in London saying, well, yeah, they got something done in the U.S. Maybe we could take something away from that and say we've got to stop fighting and get something done.

HENNESSEY: Well, look at Europe. You needed to get to the brink of financial collapse and the collapse of its currency to even get them to the table to start talking about these things. And guess what? They're still just talking about these things.

So, again, you know, I think there's going to be a lot of criticism, oh, there was this (inaudible) -- but to be very frank, it was a great theater to watch now and it's going to be forgotten starting next Monday and Tuesday.

Congress Strikes Tax Cut Deal; Andrew "Dice" Clay Replay Package; Stuart Varney Interview; European Market Update; Carol and Mary Higgins Clark Replay Package

MCSHANE: We'll see.

HENNESSEY: . because there are other issues to tackle.

MCSHANE: Because it happens in an election -- presidential year and everything else. We have a.

HENNESSEY: (Inaudible) going to be a fun year, Connell. It's going to be a fun year.

MCSHANE: Well, we thank you for contributing to it today. Exclusive interview with Ray Hennessey from the FOX Business newsroom.

Thank you, Ray.

All right. Moving right along here, we will have Peter king, by the way, so I mentioned. So that congressman from New York, that'll be interesting to see what his take is on everything that Ray and I were talking about there.

And we'll check all your top stories coming up at the top of the hour. But this is IMUS IN THE MORNING, and just about every morning on this show, something funny happens. Sometimes it's not on purpose. But just about every morning something funny happens. And here we go. Some of the latest funny moments from Imus and our whole crew.

IMUS: OK, Tom Freedman is coming up next, and we already played one of Tom Freedman's five favorite songs, Lou. Why do we have to play another one of his five favorite songs?

RUFINO: Well, we should just go to -- we should just go to the commercials...

IMUS: Well, no, we're fine. We're just fine. How much of tom freedman can we take any way?

(CROSSTALK)

RUFINO: I like it when you're half asleep too, actually, I can kind of tell. Yes, this is.

IMUS: What's the matter?

RUFINO: I like it when you're unconscious.

BERNARD MCGUIRK, PROGRAM EXECUTIVE PRODUCER: (Inaudible) be put to sleep actually.

IMUS: Oh, my God, that's very hurtful.

RUFINO: Well, you've got to chill out. You've got to chill out.

IMUS: Well, what did I do wrong?

(CROSSTALK)

IMUS: No, no, I am relaxed. All I'm saying is.

RUFINO: No you're not. You're not relaxed. You jump on everybody. You are a nut job.

IMUS: Do we -- we have to play all five of his favorite songs?

RUFINO: Who cares? Let's just get to the commercial. You are out of your mind.

IMUS: Why can't we have fun? Why can't.

(CROSSTALK)



Congress Strikes Tax Cut Deal; Andrew "Dice" Clay Replay Package; Stuart Varney Interview; European Market Update; Carol and Mary Higgins Clark Replay Package

RUFINO: Fun? When is the last time we had fun?

(LAUGHTER)

IMUS: All right. Don't we have fun every morning?

RUFINO: I have a ball.

MCGUIRK: I do. (Inaudible).

IMUS: We're going to stop -- now let's stop doing it. Fine with me.

(CROSSTALK)

UNIDENTIFIED MALE: It's not fun.

UNIDENTIFIED MALE: No, it's fun arguing, that's what he meant.

(LAUGHTER)

IMUS: I was going to suggest we play a Christmas tune.

(CROSSTALK)

RUFINO: It's a month away from Christmas.

UNIDENTIFIED MALE: (Inaudible), you Scrooge.

IMUS: Here's another one of this dweeb tom freedman's five favorite songs.

UNIDENTIFIED MALE: Not anger, not anger. (Inaudible) there's so much anger (inaudible).

IMUS: There's no anger, you son of a bitch.

Good morning, Speaker Boehner.

UNIDENTIFIED MALE: Good morning, Imus.

Recently, I had the opportunity to present the Congressional Gold Medal to the crew of the Apollo 11. And it was one of the most emotionally moving experiences of my life, to celebrate these real American heroes was just -- I can't describe it. These guys didn't go up and fart around fixing solar panels on the space station. They walked on the moon.

Well, not Michael Collins. He got screwed and had to sit in the capsule and wait for Neil and Buzz like he was picking them up after school. So sad. Can you imagine, you go all the way to the moon and you're the only one who doesn't get to go down and walk around?

It's like you're the designated driver and all your friends are at the party doing shots and getting wasted and you got to stand there like a moron drinking Diet Coke and watching them all having fun. And then you got to take everybody home while they're all throwing up all over your parents' car.

The captain of the football team is back there making out with the hot girl from your homeroom. But you're at the drive-through speaker ordering fries for everybody which, by the way, you never get paid back for. It's just not fair! I wanted to be an astronaut.

(LAUGHTER)

Congress Strikes Tax Cut Deal; Andrew "Dice" Clay Replay Package; Stuart Varney Interview; European Market Update; Carol and Mary Higgins Clark Replay Package

UNIDENTIFIED MALE: Aaahhh!

IMUS: Oh, wow. John Boehner here on the --

UNIDENTIFIED MALE: I want to be an astronaut (inaudible).

IMUS: I'm sure you do.

DAGEN MCDOWELL, FOX BUSINESS CONTRIBUTOR: I'm doing -- I'm told

IMUS: First of all.

MCDOWELL: I will get fired. I'm the one who gets reamed out if I don't do these numbers. I get chewed out. I get chewed out by you.

IMUS: First of all, while we're still talking -- but, now, listen.

UNIDENTIFIED MALE: (Inaudible).

IMUS: First of all, Kevin loves me. Hello? So I can do what I want.

UNIDENTIFIED MALE: He loves the I-Man.

IMUS: He already told me.

MCDOWELL: OK.

IMUS: . I could do anything within reason.

MCDOWELL: OK.

UNIDENTIFIED MALE: Anything you want to.?

IMUS: All right. Time for a Bernie briefing. Thank you very much for that fine report.

UNIDENTIFIED MALE: My God, throw it (inaudible).

IMUS: Well.

MCDOWELL: You know what you can bite?

(LAUGHTER)

IMUS: Courtney Freed (ph) with the Hollywood news is coming up.

(CROSSTALK)

MCDOWELL: I've got a cornucopia of stuff you can (inaudible) on, bucko.

IMUS: Well, where's u that (inaudible) coming from?

MCDOWELL: You haven't (inaudible) you -- and I'm trying not to end the week on a bad note, but you have interrupted me every hit that I have done this morning, and I try and look halfway decent for you.

IMUS: (Inaudible). Why are you looking halfway decent for me? I don't give a damn how you look.

MCDOWELL: I was picking food out of my teeth not 30 seconds ago so I didn't have a big raisin in my teeth, so I would look halfway decent.

Congress Strikes Tax Cut Deal; Andrew "Dice" Clay Replay Package; Stuart Varney Interview; European Market Update; Carol and Mary Higgins Clark Replay Package

IMUS: You're on television. There's a -- there's a bunch.

MCDOWELL: Do I look like I care at this point? No.

UNIDENTIFIED MALE: All right.

UNIDENTIFIED MALE: Got a cornucopia (inaudible) for you.

IMUS: (Inaudible).

UNIDENTIFIED MALE: OK.

(LAUGHTER)

MCDOWELL: Have a great weekend.

UNIDENTIFIED MALE: I dropped my straw. Now get over here.

IMUS: All right. Time now for some.

MCSHANE: What are those economic numbers again?

IMUS: Man, that is -- that's an insane person there. That is (inaudible).

UNIDENTIFIED MALE: Yes, but you're fine.

MCSHANE: Hello, Pot. I'm Kettle. Nice to meet you. Now we're coming up here in the next hour on IMUS IN THE MORNING. We have Peter King coming on with us, the congressman -- Republican congressman from New York. He'll join us live to talk about this payroll tax cut extension deal.

Stuart Varney will be here live as well, weigh in on all the news of the day. That plus Imus' conversation with Andrew Dice Clay. Don't go away. IMUS IN THE MORNING on FOX Business.

(BEGIN VIDEO CLIP)

REP. JOHN BOEHNER (R-OH), HOUSE SPEAKER: Senator Reid and I have reached an agreement on payroll tax relief on behalf of the American people.

(END VIDEO CLIP)

CONNELL MCSHANE, FBN CORRESPONDENT: Boehner's about face; the Speaker of the House announces an agreement to prevent a tax hike on American workers come January 1s. House Republicans surrender after weeks of stalemate. But is it a done deal yet? We'll be talking about that coming up.

And then Mitt Romney picking up some support from a former president; now it's not quite an official endorsement for Romney. It was called the best choice for the Republican nomination. We'll tell you all about that.

And then there were two shopping days that is. Could procrastinating pay off this Christmas? Still time to get those last-minute holiday gifts and retailers are counting on the sales. So we'll have more on it.

Good morning everybody welcome to IMUS IN THE MORNING. It's good to have you along with us here in the Friday morning before Christmas. I'm Connell McShane. We're going to have all of those top headlines for the day straight ahead.

The payroll tax cut deal is really the big story coming out of Washington. We'll also update the markets overseas and have a lot more, including a number of interviews from Imus and all the rest of it so.

Congress Strikes Tax Cut Deal; Andrew "Dice" Clay Replay Package; Stuart Varney Interview; European Market Update; Carol and Mary Higgins Clark Replay Package

Big hour coming up and Congressman Peter King will be among our guests that will join me. He'll be on the phone. It will be interesting to talk to Congressman King about what he thinks about of the payroll tax cut deal that went down on the house -- went down in the House. Because remember Congressman King, Republican from New York, and what does he think of some of the freshman Republicans who are holding out for so long and the future for Speaker Boehner, future of the Republican Party? All the rest of those things coming up with him.

Stuart Varney and the real Andrew Dice Clay, those are your guests this hour on Fox Business here at IMUS IN THE MORNING.

But let's begin with Rich Edson it looks like this bitter debate is over, the payroll tax cut, at least for now unless someone objects, Rich of course as the House Speaker --

RICH EDSON, FBN CORRESPONDENT: Right.

MCSHANE: -- as the House Speaker John Boehner caved in and what can we expect today? Quite a day yesterday.

EDSON: Right well, the bitter debate is over between Democrats and Republicans at least on this thing. But there is a bitter debate right now within the Republican Party. Those who feel like House Speaker John Boehner perhaps have sold them out on this deal.

Basically what you're going to have in about three hours, the House floor will open up. They will gavel in and they'll try to do what is called a unanimous consent.

It's almost like a reverse vote. In fact nobody is actually going to vote here. What they're going to try to do is basically say we're -- we're going to deem this bill passed. And if nobody objects, then they move forward. But there were some Republicans last night perhaps talking about showing up and maybe even objecting.

So we'll see 10:00 if you hear nothing, if someone just brings this bill up and it passes, we're all set to go. If not we have to have a vote next week. And that could be politically problematic for the House Speaker.

Basically a couple of changes to this proposal; it is a two-month extension of the payroll tax cut. It does include those other two month extensions to the Medicare doc fix making sure that Medicare doctors aren't hit with a massive pay cut. And two months of long term unemployment benefits.

The only two changes to this proposal secured by the House leadership were some technical fixes to make it easier for payroll processing. And the second part is to make sure that the Senate appoints conferees. In other words, they enter into a formal negotiation to try to work out a full-year payroll tax cut. And that's at the beginning of next year. From here even last night House Speaker John Boehner admitted it has been a very difficult week.

(BEGIN VIDEO CLIP)

BOEHNER: It's hard to do the right thing. And sometimes it's politically difficult to do the right thing. But you know when everybody called for a one-year extension of the payroll tax deduction, when everybody wanted a full year of extended unemployment benefits; we were here fighting for the right things.

It may not have been politically the smartest thing in the world but let me tell you what; I think our members waged a good fight.

(END VIDEO CLIP)

EDSON: The momentum against House Republicans began yesterday morning when Senate's top Republican Minority Leader Mitch McConnell released a statement calling for the House to pass a short-term proposal, basically what the Senate approved last weekend and what Democrats were arguing the House to pass all week.

Congress Strikes Tax Cut Deal; Andrew "Dice" Clay Replay Package; Stuart Varney Interview; European Market Update; Carol and Mary Higgins Clark Replay Package

So the House tried to pass this proposal under this unanimous consent deal 10:00, that's what were watching for if you don't hear anyone say I object, it means it gets through. If not, we've got to have a vote next week and a House GOP aide reminds us it costs \$4 million to \$5 million to bring Congress back to Washington. Back to you.

MCSHANE: Oh great. It's like a -- well it's a like wedding right. If anybody here objects to seeing this couple -- and all of that -

EDSON: Right.

MCSHANE: -- and you're hoping some crazy aunt doesn't stand up in the back of the church. So we'll see how who that might be today.

All right, Rich we'll talk to you in a little while.

(CROSSTALK)

EDSON: Thanks a lot.

MCSHANE: Rich Edson there in the D.C. bureau so more on that coming up.

Again, Congressman King will join us in a few minutes. But before we get to that let's go to the markets.

And the European markets this morning are higher we're up across the board in London. And Paris, Frankfurt, they're all up.

And we have David Jones on with us chief market strategist for IG in London. He joins us from their trading floor. What about today David? I was reading that some traders are saying oh it's the U.S. economy that people are optimistic about. But you know let's be honest the day before Christmas really in trading, I'm sure it's pretty light and it doesn't take much to move the market, right?

DAVID JONES, I.G. MANAGER, CHIEF MARKETS STRATEGIST: Yes it's been a really light week all this week. On Monday we saw the lowest volume in three months. U.K. markets shuts in about 25 minutes. It's a half day today. You know, those U.S. jobless figures the weekly jobless claims did help sentiment a little bit yesterday coming in the lowest for three and a half years.

But we're still all very worried about what Europe is going to bring next year. So I think we've seen a cautiously positive week this week but on very thin volumes.

MCSHANE: The pressure is on you guys, as it has been, Europeans in general going into the New Year. Some say Italy is the country to watch. Others say well, let's see if the ECB takes action. What's the big thing you're watching come the first of the year in terms of getting Europe through all this?

JONES: I think it will be Italy and Spain are the probably the ones to watch. We saw of course we had the Greek crisis that started 18 months ago and finally got somewhere near resolved a couple of months ago. Since that we've seen the Italian and Spanish costs for borrowing really jump up. That will be back in focus next year. There is a meeting for all the European ministers again in January another summit to try and finally come up with a plan to sort out the debt crisis.

So I think when we're all back, in January it will be all eyes back on Europe once again.

MCSHANE: Do you think "muddle through" is going to be good enough here? Because we all have this expectation they're going to solve everything and then we set ourselves up.

JONES: Yes.

Congress Strikes Tax Cut Deal; Andrew "Dice" Clay Replay Package; Stuart Varney Interview; European Market Update; Carol and Mary Higgins Clark Replay Package

MCSHANE: And we're disappointed every time there is some sort of a meeting that does not solve everything. Can we muddle through indefinitely or is that unrealistic?

JONES: I'll tell you I suppose we could muddle through. But I think we would muddle through for months and probably year. And it may be is a little bit unfair of us on the outside to have the expectations that these Europeans need to sort this out and come up with a solution now. Because this -- it's not really an easy fix.

I think markets have been incredibly patient since August, since we saw markets really slide off a cliff. But I think if we do get a situation where Italy starts to look like it needs a bailout, for example, that will be the thing that sparks off the next bout of volatility.

So at the moment we're being patient as long as we don't get any dramas early in the New Year.

MCSHANE: All right, David that's the picture in Europe for you this morning. Markets are higher. David Jones, chief market strategist for IG Markets.

Let's go to the Asian markets and check out how the performance was there overnight. Keep in mind Japan was closed because of a holiday but the other markets South Korea, Hong Kong, and China they were all up. And we have details on it now from Lauren Simonetti.

LAUREN SIMONETTI: Good morning Asian stock markets rose Friday in thin holiday trading. The Shanghai in China rose for the first time this week, up 0.85 percent. The KOSPI in Seoul added one percent. And the Hang Sang in Hong Kong rose 1.3 percent.

Japan's markets were closed today for their public holiday, the Emperor's birthday. Many other stock markets closed early today including Australian stocks. And global markets are closed on Monday in celebration of Christmas.

The gains in Asia tracked a positive finish for U.S. stocks on Thursday on many signs that the domestic recovery here in the U.S. is gaining strength. The U.S. is the world's biggest economy and a crucial export market for many nations in Asia. So they want to know we are doing ok.

Fitch, the rating agency, did say it expects growth in developing Asian nations to slow a bit in the New Year but still expand at a robust 6.8 percent pace. That should help bolster the wealthier nations in the region and those comments failed to gain stocks.

The commodities faced off some big gains today particularly among coal and copper producers. Financial firms also advance as did exporters including Samsung.

Back to you.

MCSHANE: All right Lauren, Lauren Simonetti with the Asian market update and now we look at our own market and see how the futures are shaping up this morning, Friday morning. Up 50 on the DOW; S&P 500 futures are up; NASDAQ 100 futures are up. We could throw in the obligatory trading will be light today. But you know that it's the Friday before Christmas. As it is, the markets are still up and we're almost at \$100 for crude oil. We're just below \$1,610 for a spot gold down by 70 cents.

Diane Macedo now from the news room with some more headlines that she's following this morning, including economic data. Hey Diane.

DIANE MACEDO, FBN CORRESPONDENT: Hey Connell, so we'll be getting the latest numbers on both durable goods for November and personal income and spending this morning. Incomes are expected to rise by two-tenths of a percent and spending by three-tenths. The headline number on durable goods is expected to rise two percent. And that would be a rebound from last month's revised decline of five-tenths of a percent.

Congress Strikes Tax Cut Deal; Andrew "Dice" Clay Replay Package; Stuart Varney Interview; European Market Update; Carol and Mary Higgins Clark Replay Package

Durable goods are items built to **last** three years or more like refrigerators, dishwashers and cars. Now if you factor out that transportation component orders are expected to be up half of one percent. Both of those reports come our way at 8:30 Eastern Time. We'll of course have them for you live.

Now for all the **last**-minute Christmas shoppers out there, there are some great deals. But those deep discounts may not be so great for the retail sector. According to "The New York Times" analysts say while markdowns are standard for the holiday season they are more widespread this year than they were **last** year suggesting retailers are stocked with too much merchandise.

Toys 'R' Us, for example is offering a buy one, get one half off deal on popular toys while American Eagle is taking 40 percent off almost everything. The International Council of Shopping Center says while sales **over** Thanksgiving weekend were surprisingly strong they cut into shopping that typically takes place this month.

The federal government has approved a more than \$**1.9** billion deal between AT&T and Qualcomm for unused wireless air waves. AT&T is set to get 700 megahertz airwaves from Qualcomm which has used the technology for its failed blow TV mobile television service. AT&T plans to use the air waves to boost its 4G network. The deal comes just days after AT&T gave up on that \$39 billion bid for T-Mobile **over** antitrust concerns from the government.

Connell back to you.

MCSHANE: I have today's **s** trivia question Diane if you're -- if you're interested in that.

MACEDO: Oh boy. Oh no.

MCSHANE: Rich People Network where you'll find an appearance by Andrew Dice Clay and the live interview with Stuart Varney and Congressman Peter King all in the same hour, which I have to play this hour. Yes Diane.

MACEDO: The Fox Business Network.

MCSHANE: Isn't that amazing. I mean, this is -- this eclectic. This is -- it doesn't get any better than this.

MACEDO: What do I win?

MCSHANE: **Right** now well, you can perform at Mohegan Sun.

MACEDO: I thought the confetti was going to fall from the ceiling or --

MCSHANE: Oh wait, you've already done that. Now Mohegan Sun, we'll think of something -- we'll think of something for you Diane.

All **right**, former President George W. -- George H.W. Bush I should say is backing Mitt Romney in the GOP race, kind of. He told the "Houston Chronicle", the former President did, that he supports Romney because of his stability, experience and principles.

And a spokesman for President Bush says while the interview with the paper was not an official endorsement, that's **s** why we say kind of, the former president's **s** thoughts stand as they are written. So he supports Romney, there you go.

Another Romney supporter would be New Jersey Governor Chris Christie. He crushed the hopes of many Republicans when he announced himself he would not run for President but now says he has not ruled out being on the ticket as vice president. Christie, who has endorsed Romney, says he does not think that Governor Romney is presumptuous enough to talk about anyone for the VP slot just yet since he's **s** not the nominee.

But he says if Romney wants to at some point if he is the nominee, they could have a full conversation about that. He didn't rule it out.

Congress Strikes Tax Cut Deal; Andrew "Dice" Clay Replay Package; Stuart Varney Interview; European Market Update; Carol and Mary Higgins Clark Replay Package

And a new Army report has revealed that up to 64,000 graves at Arlington National Cemetery require additional review. That's s about one in every four graves at the cemetery. The Army compared internal records to information on every headstone finding potentially thousands of errors such as misspelled names, incorrect military ranks or dates of birth and death. The cemetery's s executive director does say that some of the discrepancies are typos on internal documents and not necessarily mistakes on actual headstones.

All right those are some of the top stories we're following. But the big one's s is the payroll tax cut deal and Congressman Peter King of New York will join us. He's s going to call in a few minutes with his thoughts live on the payroll deal.

Then Imus's s conversation there he is Andrew Dice Clay. The real deal and Stuart Varney will be with me here live in studio. It's s all coming up in this hour. Diane was right on the Fox Business Network.

MCSHANE: Let's s talk more now here on the IMUS IN THE MORNING on fox Business about this payroll tax deal, as we have Congressman Peter King as a regular on IMUS IN THE MORNING, Republican from New York, with us on the telephone. You know, Lots of talk about Congressman, and thanks for joining us, by the way, with no Imus here. At least you won't get abused, I guess which is the upside of that.

REP. PETER KING (R), NEW YORK: Connell, I would much rather be on with you than Imus, believe me. First of all, you're decent, you're a gentleman, you're a Long Islander. Merry Christmas.

MCSHANE: Yes. Merry Christmas to you as well.

Now it kind of turned into a bit of a mess, didn't it, for your Republican caucus in the house, this whole deal?

KING: Yes. I will just say, give John Boehner credit for getting us out of this without too much damage being done. I believe we should have agreed to this last week. I told the leadership that.

This initially was a victory for Republicans. President Obama gave in on the surtax. He gave in on the Keystone Pipeline. And yet we had people in our party who didn't know when to accept a victory, and they really drove us to the edge. And John Boehner kept us together through all this and got us out with a minimum of damage. This was all unnecessary wounds -- self-inflicted wounds over the last four days.

MCSHANE: Because every headline this morning is that Republicans are bowing to the pressure. There's s surrender, retreat. Politico says the humbling of the House GOP. So it pretty much handed the President a political victory, wouldn't you agree?

KING: We did, after he had a defeat. I remember last Saturday morning watching the talking heads saying how does President Obama explain this cave-in to his base? And before the day was out Republicans had taken him out of the cave and we put ourselves in this bad, really tough fight.

Let me just say, I remember being at the Republican conference on Monday night and you had person after person standing up denouncing the deal from the Senate. They kept comparing themselves to Mel Gibson in "Braveheart", all these references to "Braveheart" over and over again.

And as I was sitting there I was thinking Mel Gibson was also in "Gallipoli" which was one of the worst military defeats ever.

MCSHANE: Yes.

KING: And that was also one where they went charging in, the British went charging in convinced they were going to win and they got wiped out. And that's s what I saw happening to us.



Congress Strikes Tax Cut Deal; Andrew "Dice" Clay Replay Package; Stuart Varney Interview; European Market Update; Carol and Mary Higgins Clark Replay Package

Again, I don't blame John Boehner for this. John Boehner was in a position where an overwhelming number of people in his own party were against this. I believe it was really misguided on their part. He tried to keep us together. And now he got us out of it, so -- but again, it was damage done and it was needless.

MCSHANE: Does he pay a political price though? I mean you talk about how he got you guys through it. There was one member of the Republican caucus in the house who told Fox News last night, one member did -- we don't know the name of the person, but said that Speaker Boehner may have a hard time keeping his speakership after this. What do you think?

KING: The only person who might be saying that is probably someone who said that we should have turned down the Senate deal and fought to the death on this. That would have been a fight to the death. It would have killed all of us and it would have hurt the American people.

I say that's the same type of person who made the mistake originally and somehow I guess wanted John Boehner to keep this going and going. These people believe that, if you listen to them, that we were winning this. That we were representing the American people, the American people were with us. This was almost going to be like the American version of the Arab Spring. Everyone was going to rally to our support.

The fact is that when you're in politics and government, you have to realize what you can do and what you can't do. Republicans are one-third of the government. And we, I believe, achieved a very solid victory. Not perfect. It wouldn't have been my bill, the one that was agreed on by the Senate last Saturday. But much farther along than in the real world you expect to get.

And when you get something like that, you take it, you grab it and you claim victory.

MCSHANE: These people, as you referred to them, many of them are freshmen in the house. Most of them are Tea Party supporters or elected with Tea Party support. And that really gave you guys a pretty nice majority in 2010, as many of them did point out last night saying hey, there wouldn't be a Republican majority if it weren't for the Tea Party and if it weren't for us.

So what do you say to those -- that part of your caucus of which you're not? You're not part of that wing of the Republican Party.

KING: They did -- again, help get the majority for us. They are very well-meaning and dedicated. I would say to everyone in the party that any time you're overly self-righteous, any time you think you alone are speaking for the American people.

And again, the way they were denouncing the Senate bill as if it was some left-wing manifesto, the fact was that bill was approved by Tom Coburn, Pat Toomey, Marco Rubio, Scott Brown, John McCain -- there was a whole list of solid Republican conservative who supported that bill.

And that to me was the point. Not that the bill was perfect. It wasn't. We don't live in a perfect world. Life isn't perfect. And you have to learn how to manage. You have to learn how to govern. And you have to fight for a larger principle. Otherwise, they're fighting for principle and they're fighting for what they believe in, the fact is they have now strengthened President Obama and that's going to hurt us. It's going to hurt the country. That's my own perspective.

MCSHANE: This doesn't sound like a very together Republican Party. You're talking about other members of your party as self-righteous right in the middle of a presidential campaign. Iowa caucus is coming up on January 3. The implications of this could be pretty big, no?

KING: Well, yes. We had these implications all week. I'm hoping this is a wakeup call for everyone in the party and to realize that we can't be going off on these missions again unless we think it through, unless we realize the consequences.

Congress Strikes Tax Cut Deal; Andrew "Dice" Clay Replay Package; Stuart Varney Interview; European Market Update; Carol and Mary Higgins Clark Replay Package

I kept saying to myself and to others Sunday, Monday and Tuesday, where does this lead? We're sending this back to the senate. The Senate has no reason to come back. They know they are on solid ground. They know the American people support their agreement. And basically it's an agreement that most Republicans, 80 percent of the Republicans in the Senate agreed to.

So what are we going to do? Are we going to stand or sit by while unemployed people can't get their unemployment payments, while working families are going to have \$1,000 to \$2,000 in extra taxes every year? Where does this lead? And I think they just were so caught up in the fervor of what they thought was right.

And by the way, on policy, they were right in the abstract but we don't live in the abstract. We live in reality.

And to give the devil his due, last Monday morning, Bill O'Reilly who's on Fox. And he was asked a question, what's going to happen with all this? This is before it really hit the fan.

And Bill said Republicans might be right on policy but I tell you they're going to end up looking like pinheads. I hate to give Bill all the credit, but he really hit it on the mark.

When I was talking to one of the Republican leaders Monday morning, when they asked me -- told me what they were going to do, I said listen I will support you because I don't want to undercut John Boehner. At the same time even Bill O'Reilly is saying we're going to look like pinheads.

MCSHANE: What does it mean for the -- and I know this will be the final thing, Congressman King -- what does it mean for presidential race do you think. Because you've been outspoken 0 You've been saying, you know, Newt Gingrich would be a nightmare for the party. You've said that in the past that you wouldn't support him. But, you know, there is the races going on, the caucuses are on the 3rd. And then the New Hampshire primary is right after.

This internal fighting within the Republican Party, what's the effect of that on the presidential race, do you think?

KING: Well, if it keeps going it could hurt us. I think we have to come together. And maybe this -- again wakeup call -- it will be a wakeup call early in the game, time to get our act together and get behind the nominee.

Again, I don't support Newt Gingrich but we get together as a party. It's a learning experience. These are well-intentioned, good people. Sometimes you have to get knocked around to realize reality.

MCSHANE: All right, Congressman, it's been great to talk to you. Imus will call you some names next time and we'll get back to normal, all right?

KING: Merry Christmas. Ok. Forget Imus; you're the man.

MCSHANE: Merry Christmas to you and Happy New Year, Congressman Peter King, Republican from New York gets pretty instructive of what's going on inside the Republican Party there -- at least one side of it from Congressman King.

All right. Let's give a quick check of markets here this morning. And then as we get back to focusing on what's happening overseas at least, up in Asia. Go to Europe here and see how the European markets are doing. It's going to be light trade, you know that; Friday before Christmas. But the European markets are up and the futures here in the United States are also up.

And oil's been kind of hovering close to \$100 a barrel. Oh, boy, very close, \$99.96 right now. Every time it comes up, it's a little bit closer.

Ok. Quickly, let's go back to Diane now in the news room because she has more headlines for us. Hey, Diane.

MACEDO: How excited are you that someone just called you "the man"?

MCSHANE: I am the man. Stop.

Congress Strikes Tax Cut Deal; Andrew "Dice" Clay Replay Package; Stuart Varney Interview; European Market Update; Carol and Mary Higgins Clark Replay Package

MACEDO: You're blushing. Connell, you're blushing.

MCSHANE: Yes. I am cute when I blush. Thank you for that Diane. Whatever you have -- just say what you have to say and make -- you know, say your piece. Then I'll handle the rest.

MACEDO: Only for "the man".

So hedge fund manager Philip Falcone has reportedly rejected a settle offer from the SEC over a number of potential violations. According to the "Wall Street Journal" the deal would have banned Falcone from the securities industry. The Journal says he along with two top lieutenants from his firm Harbinger Capital Partners, were notified by the SEC that they could face civil fraud charges.

Falcone, who's known for his big wins and losses on bets against subprime mortgages, is being investigated by the agency on three fronts including potential market manipulation.

AIG CEO reportedly says he'd like to stay on the job a little longer than previously planned. Speaking with the "Wall Street Journal", Robert Benmosche said he told the company's directors he'd like to remain in his position for another year after initially saying he plans to retire sometime in 2012.

Benmosche was diagnosed with cancer late last year after becoming CEO in 2009 and had also threatened to quit two years ago after clashing with the federal government on oversight restrictions for the bailed out company. The Journal says AIG's board does not have to approve Benmosche's decision to stay.

Netflix is slashing its CEO's annual stock option allowance. According to a regulatory filing, in 2012 Reed Hastings will get just half of the \$3 million stock option allowance he received this year while his base salary will remain the same at \$500,000. The online video service forecasts losses for next year and has come under fire for hiking prices and announcing plans to spin off its DVD by mail service; an idea quickly scrapped.

Netflix's stock price has plunged 75 percent since July wiping out \$12 billion in shareholder wealth.

Connell, back to you.

MCSHANE: Diane. That's very good. Diane, thank you very much. Appreciate that. That was great.

Diane Macedo there from the news room showing too much personality I think we can all agree now. Let's just go back to just reading the headlines --

MACEDO: All right.

MCSHANE: -- and stop this interaction stuff. Speaking of too much personality, Imus is coming up with his interview with Andrew Dice Clay. Stay tuned for that.

Told you we're going to mix it up this hour; Peter King, Andrew Dice Clay and Stuart Varney. Where else? Fox Business.

MCSHANE: Well, again, it looks like this debate over the extending the payroll tax cut has come to an end for now. And the House Speaker John Boehner as we've been reporting all morning long caved under growing pressure within his own property. And they struck a deal last night.

Rich Edson has been covering it throughout from the D.C. bureau. He joins us once again.

We had Peter King, congressman from New York, on a few minutes ago, Rich. He was talking about how some members of his own party are self-righteous and they need to know what they can and can't do. They're only one-third of the government. This is someone, obviously, not from the Tea Party wing of the Republican Party. But it speaks about the infighting that's now going on within this party and what led to this deal finally getting done.

RICH EDSON, FBN CORRESPONDENT: **Right**. And the House speaker is **right** in the middle of all of this. He's attempting, first off, to listen to what his conference has to say. And this is basically what this grew out of. The Senate struck a deal **last** weekend, Connell, and, you know, the House speaker convened a call with the GOP conference and he got a lot of pushback from his members and that's why they moved forward with the tactics that they did.

But this isn't really anything new among House Republicans, at least for this year. If you look at the temporary government funding mechanisms, you consistently have this effort by the House speaker to say, look, we did a fine job in cutting discretionary government spending as much as we've done throughout the year, and these short-term government funding solutions, there were members of the Republican Party who were saying, look, we were here to cut more and we were here not to do these two, three month, what are known as continuing resolutions. And you started to see more and more Republicans vote against even just the basic running of the government, which would be these continuing resolutions or funding of the government. The House speaker was losing more and more folks on that.

So it's been this pressure for the speaker to try to dampen expectations and remind these folks that they are only one-third of the government. You have to strike a deal with the Senate and the president to get anything done. This is the best deal you've got, so take it.

MCSHANE: The challenge is now, he being the House -- the speaker of the House, John Boehner, because he has to look at someone like a Peter King, who's going to come and make that argument that he just made on our show and say, hey, listen, we can't mess up what is a pretty good opportunity for us in an election year going up against President Obama by holding out, as we do, on just about everything and did on this. But then, at the same time, he's going to have to look at the Tea Party wing of the party who are and already have come out and said, hey, listen, you wouldn't have this majority if it wasn't for us, so you have to listen to us.

EDSON: **Right**. And their point is, they were elected to come here and do a lot bigger things than they're doing **right** now. To cut government spending more, to do more on long-term tax reform, to do more on pro-growth business things or what they believe are pro-growth business policies. And **right** now they're nowhere near where they want to be. I mean, you know, it's almost like they got here and said, this is it. They came here to change Washington and they're realizing that they have to conform to what Washington is in order to get things done.

It's almost like President Obama in some respects. However, when President Obama came in, he did have a bullet-proof majority in the Senate and a wide majority in the House of Representatives. So in that sense, the president didn't have to exactly face what the Tea Party Republicans have to face.

MCSHANE: **Right**.

EDSON: But still, you know, you've got this thing where you think you're here, you've got a mandate to cut spending a lot further than you have, and a two month payroll tax cut, you don't feel like you should have to accept that.

MCSHANE: That's what we have though is this two month extension of the payroll tax cut. So that stays the same. And -- or we could have **right** -- and just take us through what's happened today -- there is the possibility somebody could show up on the House floor and raise their hand and say I object, **right**?

EDSON: Yes. 10:00 is -- well, it's going to be exciting on the House floor. And usually it's not when it gavel in. But the way they're going to try to pass this is known as unanimous consent. Basically the chair of the House will say -- the speaker of the House -- acting speaker of the House will say, we want to pass this bill. Anybody object? No? OK, it's passed.

Now, if someone does object, that's a major problem. So there could be a congressman driving through the middle of the night to get to Washington, D.C., just to object to this thing at 10:00 and we really won't know until 10:00 if that's the case.

Congress Strikes Tax Cut Deal; Andrew "Dice" Clay Replay Package; Stuart Varney Interview; European Market Update; Carol and Mary Higgins Clark Replay Package

MCSHANE: Yes, because flying -- I mean it would have been hard to get a flight last night and everything else, so -

EDSON: Right. Total mess.

MCSHANE: That would be some story. Thank you. It would be a total mess in more ways than one. Thank you, Mr. Edson. We'll talk to you again in a little while.

EDSON: Yes.

MCSHANE: Rich Edson's been covering this all throughout there from D.C.

Our markets this morning, if you look at Asia, we're up overnight. This is a quiet day markets-wise. But we're up across the board. Japan's closed. The emperor's birthday. And then they'll be closed again the closed Christmas holiday for just about all the world markets on Monday. The FTSE 100 up today 1 percent. The CAC 40 in Paris up 1 percent. The futures indicating a move higher by a little bit here in the U.S., 6.5 points, which is half of 1 percent on S&P futures.

Now back to the one and only Diane Macedo. Well, \$99.72 for oil. Oh, all right. We're watching for \$100.

In the news room, Diane -- I got off track there for a second looking at oil -- and Diane is back to talk about Kodak.

Hello, Diane.

DIANE MACEDO, FBN CORRESPONDENT: Hi, Connell.

So, shares of Eastman Kodak climbed roughly 20 percent and extended trading after it announced a management change and plans to sell off one of its businesses. Kodak said it's promoting general council Laura Quatela to president and she will work alongside the company's current president, Phil Faraci. Separately, Kodak said it's selling off its Eastman Gelatin business for an undisclosed amount. The company's been aggressively looking to shed assets and it warned last month that securing a patent deal or raising rescue financing over the next 12 months is critical to operating its business.

Meanwhile, shares of Rambus are also up in the pre-market after it struck a five year patent licensing deal with Broadcom. The agreement resolved a complaint Rambus filed with the International Trade Commission last year, saying some of the technology in Broadcom's microchips violated intellectual property rights. Rambus now says it will license the patents for the integrated circuits used in Broadcom chips. The company did not disclose any financial details pertaining to that deal.

Hedge fund manager John Paulson is reportedly facing a dismal December as he looks to wrap up a very rough 2011. According to a person familiar with the situation, Paulson and the company's worst -- Paulson & Company's worst performer, the Advantage Plus Fund, fell another 9 percent through December 16th, bringing its annual losses to 52 percent. And the Paulson Advantage Fund, which is the firm's largest, has fallen 6 percent this month. Meaning it's dropped 36 percent year-to-date. To give you a comparison, the S&P 500 is essentially flat for the year.

The federal government has approved a more than \$1.9 billion deal between AT&T and Qualcomm for unused wireless air waves. AT&T is set to get 700 megahertz airwaves from Qualcomm, which had used the technology for its failed FLO TV mobile television service. AT&T plans to use those airwaves to boost its 4G network. The deal comes just days after AT&T gave up on that \$39 billion bid from T-Mobile over anti-trust concerns coming from the government.

Connell, back to you.

MCSHANE: All right, Diane, thank you very much for that.

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As we move on this morning in our eclectic hour of the IMUS IN THE MORNING program, ahead of Stuart Varney's live appearance, we have the I-man as he tries to find out what the nickname "Dice" stands for, for Andrew "Dice" Clay. And the comedian refuses to give in, even when Imus threatens bodily harm. Yes. Let's take a look at that interview right now.

(ANDREW "DICE" CLAY REPLAY PACKAGE)

MCSHANE: There you go, Andrew "Dice" Clay with the I-man.

In just a moment, some more business headlines with Diane Macedo in our news room. And we'll check the markets, of course, overseas. And also, Stuart Varney is going to be here live. We've got the payroll tax cut debate, we have the economy, the markets, all kinds of things with Mr. Varney, Sir Varney, in just a moment.

IMUS IN THE MORNING on Fox Business.

MCSHANE: There you go, the Asian markets are up overnight. I mean take it for what it's worth here Friday before Christmas. It's going to be as light as light can be you would think in the trade. The European markets are also showing some green. And our markets have been as well, as we give you a quick numbers update.

Stuart Varney is going to join us live in just a moment with his thoughts on everything. The oil prices is around \$100, by the way, this morning. And Diane Macedo is back from the news room with some headlines.

Stuart's been disturbing lately, Diane, because he's been speaking Spanish often to me and I believe he's going to do it more today, so that's coming up.

MACEDO: I'll be standing by if you need any translation.

MCSHANE: Munuto (ph) or whatever. Yes, all right. So, what do you have?

MACEDO: All right. So for all of you last minute Christmas shoppers out there, there are some great deals to be found, but the deep discounts may not be so great for the retail sector. According to "The New York Times," analysts say while markdowns are standard for the holiday season, they're more widespread than last year, suggest that retailers are stuck with too much merchandise. Toys "r" Us, for example, is offering a buy one, get one half off deal on popular toys, while American Eagle is taking 40 percent off almost everything. The International Council of Shopping Centers says, while sales over Thanksgiving weekend were surprisingly strong, they cut into shopping at typically takes place this month.

Hedge fund manager Phil Falcone has reportedly reject a settlement offer from the SEC over a number of potential violations. According to "The Wall Street Journal," the deal would have banned Falcone from the securities industry. "The Journal" says he, along with two top lieutenants from his firm Harbinger Capital Partners, were notified by the SEC that he could face -- they, rather, could face civil fraud charges. Falcone, who's known for his big wins and losses betting against the subprime mortgages, is being investigated by the agency on three fronts, including potential market manipulation.

And AIG's CEO reportedly says he'd like to stay on the job a little longer than previously planned. Speaking with "The Wall Street Journal," Robert Benmosche says he told the company's directors he'd like to remain in his position for another year off initially saying he'd planned to retire sometime in 2012. Benmosche was diagnosed with cancer late last year after becoming CEO in 2009 and had also threatened to quit two years ago after clashing with the federal government on oversight and restrictions for the bailed out company. "The Journal" says AIG's board does not have to approve his decision to stay.

Connell, back to you.

MCSHANE: All right. Good stuff, Diane. Thank you very much.

Congress Strikes Tax Cut Deal; Andrew "Dice" Clay Replay Package; Stuart Varney Interview; European Market Update; Carol and Mary Higgins Clark Replay Package

Now, the extension of the payroll tax cuts has been our top story all morning long. And then Stuart Varney walks in to join us live and tells us that nobody wants to talk about it. So, with that, we're going to talk about the Spanish lottery.

STUART VARNEY, FOX BUSINESS: Well, don't you go? Wait a second, do you agree? Do you really want more on the payroll tax holiday extension on the Friday before Christmas?

MCSHANE: Oh, I know why you don't want to talk about it, by the way.

VARNEY: Yes.

MCSHANE: You don't want to talk about it because --

VARNEY: Let me express it thusly.

MCSHANE: Yes.

VARNEY: It is a huge, political victory for President Obama and the Democrat.

MCSHANE: There you go.

VARNEY: it is an economic problem for the country. That's s it.

MCSHANE: That's s it.

VARNEY: That's s -- as far as I'm concerned, that's s it.

MCSHANE: The first part of the explanation, by the way, is why you don't want to talk about it this morning and you'd rather talk about a lottery in Spain --

VARNEY: Yes.

MCSHANE: That's s what you came to me, oh, let's s talk about el Gordo.

VARNEY: No, you've got the pronunciation wrong.

MCSHANE: Give it to me.

VARNEY: El Gordo. Got it?

MCSHANE: You are -- you're disturbed.

VARNEY: No, not disturbed. Listen to this.

MCSHANE: OK.

VARNEY: This is the largest lottery in the world.

MCSHANE: Yes.

VARNEY: It takes place right before Christmas.

MCSHANE: Yes.

VARNEY: They did the drawing yesterday. They handed out \$4 billion. Eighty percent of the Spaniards invest in this thing. And I'm going to bring you the real housewives of Spain, because a small group of them actually won this lottery. (INAUDIBLE).

Congress Strikes Tax Cut Deal; Andrew "Dice" Clay Replay Package; Stuart Varney Interview; European Market Update; Carol and Mary Higgins Clark Replay Package

MCSHANE: For real?

VARNEY: Yes. They're housewives. The real housewives of Spain. I'm sort of inventing that (INAUDIBLE) for them.

MCSHANE: Oh, OK.

VARNEY: There's a little town. There's only 2,000 people there. And they won \$700 million.

MCSHANE: Wow.

VARNEY: Yes. This is el Gordo, which is el Gordo, OK. That is, "the fat one." Biggest lottery in the world.

MCSHANE: Yes.

VARNEY: Now, I think that's what turns people on the Friday before Christmas, don't you think?

MCSHANE: Well, when I need to know what turns people on, I always knock on your door and say, hey, Stuart, what do you think turns people on? Oh, the Spanish lottery. How do you say it again?

VARNEY: El Gordo.

MCSHANE: Because, you know what, they have plenty of money to be wasting on a lottery in Spain. But the people who won it are probably -- they could use the money.

VARNEY: Yes. Now, look, you could make a very serious point here -- and I'll make them for you, OK.

MCSHANE: OK.

VARNEY: Point number one, legalized government-run lotteries are the most efficient way of taxing poor people. And that's definitely true. Number two, Spain has an unemployment rate of 21 percent. What are they doing investing an average of \$100 each in a lottery where the chances of winning are zero. But, it's Christmas cheer.

MCSHANE: Yes.

VARNEY: If that's what they want to do, they can do it.

MCSHANE: Stuart Varney staying positive, as he's known to do.

VARNEY: It makes socialism fun, don't you think?

MCSHANE: I've got to talk a little bit about U.S. politics. You're not going to get away scot-free on this one.

VARNEY: Go ahead.

MCSHANE: So you think it's -- but to go back to -- so Peter King's on with us earlier this hour, a congressman from New York, Republican congressman. A moderate, I guess, or not part of the Tea Party wing certainly.

VARNEY: **Right**.

MCSHANE: And he says that the Republicans have to be careful about being, quote, to quote him, "self-righteous. They're going to have to realize they're only one third of the government. They have to realize what they can and cannot do and they can't be handing victories like this to President Obama because it's a quote, "self-inflicted wound." What do you think?

VARNEY: Yes, politically, it is a self-inflicted wound. That is true. The Tea Party people, the House Republicans, no question, they lost politically in this fight. But wait a second. Next year we're now going to be taking more money out of Social Security, we're going to impose a new tax on all new mortgages, on all new re-fis to pay for this tax



Congress Strikes Tax Cut Deal; Andrew "Dice" Clay Replay Package; Stuart Varney Interview; European Market Update; Carol and Mary Higgins Clark Replay Package

holiday extension. We're not going to create any new jobs with this and we are going to add to the debt. Yes, that's a political victory for President Obama. I call it -- I don't call that a success for the American people and America's economy.

MCSHANE: Right. But it wasn't worth, or maybe it was, was it worth going this far with? Because if you and I wanted to fix Social Security, long term by the way, we could raise the retirement age to 69 or 70 or whatever we wanted to do and raise the cap probably on the reporting. Instead of 110 to whatever, 200, 190, and we'd be fixed tomorrow long term Social Security. It would be funded.

VARNEY: Look, --

MCSHANE: So, was it worth holding out for a few percentage points on the tax?

VARNEY: No, it was not. It was not worth holding out because you couldn't win. Hold out if you can win. Don't hold out if you can't win. I mean they had this -- I think it's an awful deal coming out of the Senate for a two months extension.

MCSHANE: Yes.

VARNEY: That's not a good deal. But it's a deal. And it was a bipartisan deal. It was agreed in the Senate with 89 senators saying, yes, let's do it. The popular press, the establishment media, they all wanted this thing.

MCSHANE: Uh-huh.

VARNEY: To stand out against it when you could not win --

MCSHANE: Right.

VARNEY: Is political folly.

MCSHANE: Because --

VARNEY: And that's what John Boehner and his House Republicans did, it was political folly. They lost.

MCSHANE: Speaking of popular press, I wrote down a number of the headlines or the ways stories started this morning, "bow to the pressure," "surrender," "retreat," "humbling of the House GOP."

VARNEY: Yes. Oh, I'll give you two more. "The president won a victory." "It was a presidential triumph."

MCSHANE: How does this change the dynamics --

VARNEY: It's all true.

MCSHANE: Because the Tea Party, that wing of the party is what really established the majority last time around. They're the reason the Republicans have any control. The one-third of the government that Peter King talked about is really because of the Tea Party support that was huge in 2010. Does this loss for them politically change that dynamic, do you think at all, going forward?

VARNEY: In the short-term, it does change it a little bit because it gives the advantage to the president and the advantage to the Democrats. In the longer term, I don't think it matters at all because in two month's time we're back negotiating this deal all over again.

MCSHANE: Yes.

Congress Strikes Tax Cut Deal; Andrew "Dice" Clay Replay Package; Stuart Varney Interview; European Market Update; Carol and Mary Higgins Clark Replay Package

VARNEY: The president is probably going to say no to the pipeline in 60 days. I mean that's a huge negative for him throughout the country. And as we go into the new year, the debt is continuing to mount. The economy is not doing very well. Unemployment may go back up to 9 percent. (INAUDIBLE).

MCSHANE: Well, I was going to ask you about that. And we have about 20 seconds left, by the way. The -- some the numbers, you know, the unemployment claims yesterday, getting better.

VARNEY: Yes.

MCSHANE: Are you at all optimistic about 2012 for the U.S. economy?

VARNEY: No. It will continue to expand but we'll look like Japan, slow growth, a big debt.

MCSHANE: Yes.

VARNEY: Not good.

MCSHANE: We'll see you at 9:00 -- well, we'll give it to you at 9:10 a.m. exactly this morning. Be ready.

VARNEY: I'm appreciative of that move, Connell. Thank you.

MCSHANE: "Varney & Company," hosted --

VARNEY: El Gordo.

MCSHANE: By Stuart Varney, who's scaring me with his Spanish over the last two days.

All right, in just a moment, some of the funnier moments from Imus and the crew. And, of course, all our top stories of the day as we continue. This is IMUS IN THE MORNING on Fox Business.

(BEGIN VIDEO CLIP)

REP. JOHN BOEHNER (R), SPEAKER OF THE HOUSE: Senator Reid and I have reached an agreement on the payroll tax relief on behalf of the American people.

(END VIDEO CLIP)

CONNELL MCSHANE, FBN ANCHOR: Boehner's about face. The speaker of the House announces an agreement to prevent a tax hike on American workers come January 1st. House Republican surrender after weeks of stalemate. So we'll be talking about the very latest to come out of Washington on that.

And then Mitt Romney picking up some support from a former president. It's not quite an official endorsement for Romney, who was called the best choice for the Republican nomination, but we'll bring you the latest on it.

And then there were two, shopping days that is. Could procrastinating pay off for you this Christmas? Still time to get those last minute holiday gifts. And the retailers are counting on the sales.

So there are your headlines. Good morning, everybody. I'm Connell McShane. And merry Christmas, everybody. Welcome to IMUS IN THE MORNING. We'll have all those headlines as we move throughout the hour. Also the update on the markets. We're focus more on this payroll tax cut extension in Washington. And Rich Edson in just a second.

But also, we'll hear from Imus. It is IMUS IN THE MORNING. The authors Mary and Carol Higgins Clark were on recently talking about their new book that was being made into a TV movie "Deck The Halls." So, Imus always kind of funny with those two. And then Jay Mohr, speaking of funny, he'll be on with Imus later this hour as well.

Congress Strikes Tax Cut Deal; Andrew "Dice" Clay Replay Package; Stuart Varney Interview; European Market Update; Carol and Mary Higgins Clark Replay Package

But it looks like this bitter debate is over, we think, in the payroll tax cut extension for now. The House speaker, John Boehner, did cave in under growing pressure in his own party, dropping his opposition to the Senate's s plan. And we have Rich Edson covering it all from D.C.

It's not quite over yet. So what's s the next step, Rich?

RICH EDSON, FBN CORRESPONDENT: Well, Connell, in two hours, the House tries to pass a two month payroll tax cut extension. And there are no guarantees that actually happens today. Last night House Speaker John Boehner cut a deal with Senate Majority Leader Harry Reid, giving Democrats and Senate Republicans essentially what they've been calling for, for the past week.

House Republicans managed two changes, a promise to formally begin negotiating a long-term tax deal in the next few weeks and technical fixes to the bill to ensure an easier and less costly implementation for businesses. Still, the House speaker has acknowledged, it's been a difficult week.

(BEGIN VIDEO CLIP)

REP. JOHN BOEHNER (R), SPEAKER OF THE HOUSE: It's hard to do the right thing. And sometimes it's politically difficult to do the right thing. But, you know, when everybody called for a one-year extension of the payroll tax deduction, when everybody wanted a full year of extended unemployment benefits, we were here fighting for the right things. It may not have been politically the smartest thing in the world, but let me tell you what, I think our members waged a good fight.

(END VIDEO CLIP)

EDSON: The momentum against House Republicans began yesterday morning when the Senate's s top Republican, Minority Leader Mitch McConnell, released a statement calling for the House to pass a short-term proposal. Basically what the Senate approved last weekend and what Democrats were arguing the House to pass all week.

They House tries to pass this proposal in a couple of hours under what's called unanimous consent. It's a fairly common procedure where there is actually no vote. If one lawmaker returns to Washington to object, and there are Republicans opposing this deal, it scuttles the bill for now and the full Congress would have to vote. A leadership aide says bringing Congress back to Washington would cost taxpayers between \$4 million and \$5 million.

Connell.

MCSHANE: But just to be clear, Rich, we don't know of any one member of Congress that has made his or her way back to Washington to object, do we?

EDSON: There were a couple of congressmen last night talking about not ruling out maybe getting on the road and coming up to Washington. But we have no one definitively saying they're going to be here standing on the House floor ready to object and scuttle this deal immediately at 10:00. If that does happen, you still have an out here, and that's a House vote that would have to occur and conceivably this bill would pass because you basically got all the Democrats in the House and you would only need about 40 or 50 Republicans to actually get this bill through if you were to have a vote.

What you don't want to do if you're House Speaker John Boehner is hold that vote and divide your conference. You don't want to ever bring a bill on the House floor, if you're speaker of the House, where you lose a majority of your party. And he risks that here.

MCSHANE: Adding to the drama of it all. All right, Rich. Rich Edson there from D.C. for us.

As for the markets here this morning, Friday before Christmas, we've seen a move higher pretty much across the board. There's Europe, up 1 percent in both London and Paris. Frankfurt's not higher by as much, but the DAX is

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up 0.3 percent. Our futures indicating the Wall Street open today will be higher. Again, we trade today before Christmas, then Monday is the market holiday for the observance of Christmas.

As for commodities, \$99.85. Just almost \$100 for oil today is where we've been. \$1,610, almost \$1,611 for spot gold. Down now by 10 cents.

For more let's bring Nick Hastings in out of London, senior correspondent for Dow Jones Newswire's, who's with us now live.

I know as we get the caveat --

NICK HASTINGS, DOW JONES NEWSWIRE SENIOR CORRESPONDENT: Hi, Connell.

MCSHANE: Hey, Nick -- that this is the Friday before Christmas, so things are as light as they can be in terms of volume and everything else, but how are we setting ourselves up over there in Europe for what should be an interesting new year, certainly?

HASTINGS: Oh, it certainly will be a very interesting new year as far as the euro zone crisis is concerned. But it's interesting here, Connell, that we're actually ending the year looking very much across the Atlantic back to you guys and the fact that the U.S. economy is just doing so well. At every turn, every piece of data that comes out comes in better than expected.

And now, I was just going to say (ph) to that report there from Washington, the fact is that you might actually be getting this tax credit extended, the fact the negotiations seem to be going in the right direction, I think is going to add to, as we head into the new year, a very positive element as far as the U.S. is concerned.

How and whether this will continue, obviously, to help the U.S. and global markets to a certain extent, but whether or not the dollar will benefit from this, we'll have to wait and see what happens in Europe. But I would say that actually my predictions are that the dollar is actually going to do pretty well next year, 2012, because not only of the U.S. economy but what's going on in Europe.

MCSHANE: Your perspective is actually very kind of interesting and valuable because it comes from London and we've -- you're not the first person to say it this morning, but it's different than what we hear a lot of times in the United States. I think we've become so cynical with the political process here, I mean because we watch it all the time that we say, oh, well, they got a deal done, but watching it get done and the nonsense back and forth is just a nightmare. And, you know, we won't look at the economy. And instead of focusing on the items maybe that you're focused on, which, I don't know, maybe it's jobless claims better than expected, whatever it is, we say, boy, the last quarter's GDP was revised lower and we thought it would be revised higher. Things are not great. They're going to slow down in the first quarter. But your big picture view seems to be much more positive than many Americans.

HASTINGS: You mustn't be so hard on yourself. Absolutely. You shouldn't be so hard on yourself, basically. But I think also, as far as the political -- the political process is concerned, it's clearly different in Europe. You guys make a lot of noise, a lot of drama. You know it's like screaming and shouting all over the place. It never looks like Congress is going to get its act together. And then all of a sudden, you know, you've been doing it for so many years, it all just falls into place. I was reading, you know, one analyst this morning, who really said, and I think that really sums it up, you guys make a lot of noise, but in the end you pull through. That's fine.

MCSHANE: Oh, well, it's still -- you're taking all the drama out of it that we enjoy so much. But, Nick, thanks a lot.

HASTINGS: Obviously you enjoy that drama, Connell, too much.

MCSHANE: That's all we got to hold on to. Nick Hastings, thanks.

HASTINGS: Thank you.

Congress Strikes Tax Cut Deal; Andrew "Dice" Clay Replay Package; Stuart Varney Interview; European Market Update; Carol and Mary Higgins Clark Replay Package

MCSHANE: Merry Christmas. Happy New Year to you. Appreciate it. From Dow Jones.

All right, Diane Macedo, speaking of lovely drama, she's back from the news room this morning with some headlines this morning.

So don't you feel better after hearing from Nick Hastings about our problems here?

DIANE MACEDO, FBN CORRESPONDENT: I felt better after hearing from Nick Hastings because I'm headed to London next weekend and I just like the accent. So, he got me excited.

MCSHANE: Really? Oh, you are?

MACEDO: I'm not even thinking about you anymore or business news or anything that (INAUDIBLE).

MCSHANE: I don't blame you. So you're going for all week in London, Diane Macedo.

MACEDO: Try not to miss me too much, or my drama, because apparently I'm the drama queen now.

MCSHANE: I'm off next week too, so it's just going to be Dagen's problem, all right?

MACEDO: Oh, all right, I like that.

MCSHANE: With that, merry Christmas. And what's going on in the news?

MACEDO: Well, the federal government has approved a more than \$1.9 billion deal between AT&T and Qualcomm for unused wireless airwaves. AT&T is set to get 700 megahertz airwaves from Qualcomm, which had used the technology for its failed FLO TV mobile television service. AT&T plans to use those airwaves to boost its 4G network. The deal comes just days after AT&T gave up on its \$39 billion bid for T-Mobile over anti-trust concerns with the government.

And for all the last minute Christmas shoppers out there, there are some great deals to be found, but those deep discounts may not be so great for the retail sector. According to "The New York Times," analysts say while markdowns are standard for the holiday season, they're more widespread than last year, suggesting that retailers are stuck with too much merchandise. Toys "r" Us, for example, is offering a buy one get one half off deal on popular toys, while American Eagle is taking 40 percent off almost everything. The International Council of Shopping Centers says while sales over Thanksgiving weekend were surprisingly strong, they cut into shopping that typically takes place this month.

And we'll get the latest numbers on durable goods for November, as well as personal income and spending at 8:30 Eastern. Incomes are expected to rise by 0.2 percent and spending by 0.3. the headline number on durable goods is expected to rise 2 percent. And that would be a rebound from last month's revised decline of 0.5 percent. Durable goods are items built to last three years or more, like refrigerators, dishwashers and cars. If you factor out that transportation component, orders are expected to be up 0.5 percent.

Connell.

MCSHANE: All right, Diane, thank you very much.

MACEDO: Thank you.

MCSHANE: And have a good time in London. Diane Macedo there from the news room.

Now, nine minutes past the hour. We'll move on to some other headlines. I also want to point out, I mentioned that Congressman Peter King was on with us in the last hour. He took some shots at his own party and definitely an interesting perspective given what's been going on in the Republican Party. We're going to replay that interview for

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you, the live interview that happened in the last hour, a little bit later this hour, in about 20 minutes or so. So, stay tuned for that.

Meantime, former President George H.W. Bush is backing former Massachusetts Governor Mitt Romney in the GOP race for the White House. Now President Bush told "The Houston Chronicle" he supports Romney because of his stability, experience and principles. A spokesman for President Bush says the interview with the paper was not an official endorsement, but the former president's thoughts stand as they are written. So, there you go. Take it for what it's worth.

And other Romney support, New Jersey Governor Chris Christie, crushing the hopes of many Republicans when he announced he wouldn't run for president, but now he says he hasn't ruled out being vice president or being on the ticket. He's endorsed Romney and he says he doesn't think that Governor Romney, at this point, is presumptuous enough to have anybody in mind or to name anybody to be a possible running mate. But he says if Romney wants to, if he's the nominee, they could have a full conversation about that. Chris Christie.

And a new Army report is revealing that up to 64,000 graves at Arlington National Cemetery require additional review. It's about one in every four graves at the cemetery. The Army compared internal records to information on every headstone and they found potentially thousands of errors, misspelled names, incorrect military ranks, incorrect dates of birth or dates of death and the cemetery's executive director did say some of these discrepancies just may be typos on internal documents and not actual mistakes on the headstones.

In just a moment, some more from Diane, more business headlines and a check of the markets from all around the world here on this Friday morning. And also more from Imus. His interviews with the authors Mary and Carol Higgins Clark. And a little bit later on, Jay Mohr, the comedian, with IMUS IN THE MORNING. That and my interview with Peter King. It's all coming up as IMUS IN THE MORNING continues on Fox Business.

MCSHANE: There's the market in Europe. As we speak, up 1 percent, both London and Paris. So we're seeing gains here on this Friday morning. And, you know, London, as we mentioned earlier, or as one of our guests mentioned, it's a half day today before Christmas. We have a full day of trading in store for you beginning, as always, at 9:30 Eastern Time in the U.S. And ahead of it, the futures are pointing higher. Commodities, also the other story this week, has been the climb in crude oil, back near \$100 a barrel, \$99.71 right now.

Diane's back from the news room right now and she will have some more headlines for you.

Netflix has been such a mess of late and I know there's more news on Netflix.

MACEDO: Yes, you know, they've had a rough year and the company is now announcing that it's slashing its CEO's annual stock option allowance. According to a regulatory filing, in 2012, Reed Hastings will get just half of the \$3 million stock option allowance he received this year, while his base salary will remain unchanged at \$500,000. The online video service forecast losses for next year and have come under fire for hiking prices and announcing plans to spin off its DVD by mail rental service. An idea quickly scrapped. Netflix's stock price has plunged 75 percent since July, wiping out \$12 million in shareholder wealth.

Hedge fund manager Philip Falcone has reportedly rejected a settlement offer from the SEC over a number of potential violations. According to "The Wall Street Journal," the deal would have banded Falcone from the securities industry. "The Journal" says he, along with two top lieutenants from his firm Harbinger Capital Partners, were notified by the SEC that they could face civil fraud charges. Falcone, who's known for his big wins and losses on bet against subprime mortgages, is being investigated by the agency on three fronts, including potential market manipulation.

And shares of Rambus are up roughly 20 percent in the pre-market after it struck a five year patent licensing deal with Broadcom. The agreement resolved a complaint Rambus filed with the International Trade Commission last year saying some of the technology in Broadcom's microchips violated intellectual property rights. Rambus now

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says it will license a patent for the integrated circuits used in Broadcom chips, but the company didn't disclose any financial details pertaining to the deal.

Connell, back to you.

MCSHANE: All right, Diane, thank you very much for that.

As we move along here on IMUS IN THE MORNING, two of the I-man's favorite authors over the years paying a recent visit here because they -- one of their books has been made into a TV movie, "Deck The Halls." And they even offer up a Christmas gift for Imus. So, here he we go, Carol and Mary Higgins Clark with their latest appearance.

(CAROL AND MARY HIGGINS CLARK REPLAY PACKAGE)

MCSHANE: There you go, Mary Higgins Clark, Carol Higgins Clark and their most recent appearance with the I-man. Always fun.

All right, here's what's coming up. We're going to get the economic data, by the way, in just a minute. But also we have Jay Mohr, speaking of people that are always funny when they're on with Imus. The interview with Jay Mohr a little bit later on. Also, my interview with Peter King, Congressman Peter King, the Republican from New York, who joined us earlier this morning. Wait until you hear what he has to say about this payroll tax cut deal that they came to terms with in the House yesterday and what he has to say about some members of his own party. Peter King a little bit later on. And, also, Rich Edson on the payroll tax cuts. So all that's coming up.

But in the meantime, Diane Macedo is in the news room.

We have these numbers coming out in about 90 seconds or so on personal income and spending and durable goods. So tell us what we can expect on -- first on the spending and the income.

MACEDO: Well, overall, better than we got last time around on most of these numbers.

First we'll start with personal income. It's expected to come in up 0.2. The prior reading on that was up 0.4 percent. This time around, again, we're expecting 0.2.

On the spending front, the estimated is for it to be up 0.3. Last time around it was up only 0.1 percent.

On the durable goods front, this is the big difference here. The expectation is for orders to come in up 2 percent. And that's a big contrast to what we got last time, which was a revised decline of 0.5 percent there. So this time they're saying a rise of 2 percent. That would be good compared to last time. And then they're taking out the transport. Of course, this is all -- durable goods are things that last -- items built to last three years or more. So one of those components is cars. But because autos are so volatile, they give a separate number that factors out the transportation component, planes, cars, et cetera. And that is expected to come in up 0.5 percent for those -- that number, Connell.

MCSHANE: Durable goods. My favorite is -- favorite durable good, of course, has always been a dishwasher over the years. But I go back and forth depending on the month. All right, we're going to get this --

MACEDO: Yes, I'm sure. I think I heard you're getting one for Christmas actually.

MCSHANE: I just got a dishwasher. It was painful experience just getting the thing delivered, but it all worked out in the end. Happy story.

MACEDO: At least you have one. I live in Manhattan. We don't do dishwashers here.

MCSHANE: And on that note, here come the numbers. Breaking news here on the economy. The latest numbers on personal income and spending and also those durable goods are just coming out.

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The personal income number was up 1/10 of a percent so that's not exactly what we expected, just below the 2/10 of 1 percent expectation. In terms of how much people were spending last month, the spending last month, the spending component of that was also up 1/10 of 1 percent.

And that, too, was a bit of a disappointment at least compared to economists' expectations. So you're up 1/10 on both income and spending just slight increases there not up to expectations.

Now the aforementioned durable goods, let's go to that figure now and see how it turned out. It was supposed to be up 2 percent, but it was up more than that, up by 3.8 percent, 3.8 percent, that's a big gain in durable goods compared to expectations there.

If you take out transportation, however, you get a different figure, durable goods and supposed to be up 0.5 percent. I think it was only up 3/10 on the transportation so a little light there, but headline is pretty good.

Anyway, we'll put it together. Futures are still up. Take a quit break, come back, Jay Mohr, Peter King. More on the economic data. IMUS IN THE MORNING rolls on here on Fox Business.

MCSHANE: The breaking news was on the economy just moments ago. We learned that we spent a little bit more and our incomes went up a little bit by last month not by as much as expected, 1/10 of 1 percent gain, both for personal income and spending.

That's a little below the expectations. Nice bounce back though in durable goods on the headline figures. The durable goods were up by 3.8 percent, which is a nice gain. But if you strip out transportation from that figure, only 3/10 of 1 percent and that was below where some expectations were.

Up 40 plus some points on the Dow futures so that's where we're there. The S&P and Nasdaq, they are up. Futures are up about 6.5 before the number came up and they are now up 5 so such as it is on a light trading day. That's your market reaction and we'll talk more about it coming up as we continue here.

But it gives us another measure of how we're looking at the economy and recovery and officially where we are right now. Also, where are we in Washington D.C.? Well, Rich Edson has been covering this whole payroll tax debate throughout.

They finally got a deal last night and a two month extension and now they are going to vote on it today. We think. Let me start there though. Because is there a realistic chance that this might go past Christmas?

Because somebody objects on the floor today and even if it does, it would still pass, right? Most likely it would just extend the drama?

RICH EDSON, FOX BUSINESS: That's about it and it's whether or not they are going to make it easy on the speaker of the House or whether it's going to be difficult.

In about 90 minutes, the House of Representatives will gavel in and bring this two-month compromise to the floor. They'll ask if anybody objects, if nobody objects, it's past the House of Representatives. It will go to the same motion over in the Senate where there's expected to be much less drama or no drama at all and go to the president's desk and he can sign it and this issue is resolved.

If someone objects on the House floor and this is what we're looking for here because there a number of upset Republicans at the deal of the House speaker cut last night. It is very similar to the deal that passed the Senate over the weekend.

If anyone objects, it's game over at least for today. They would have to vote at some point before the end of the year, and that's possible, in fact, that's more than likely. The speaker said he would bring everyone back.



Congress Strikes Tax Cut Deal; Andrew "Dice" Clay Replay Package; Stuart Varney Interview; European Market Update; Carol and Mary Higgins Clark Replay Package

However, you're risking a vote here. It won't look good for the speaker because he'll lose a significant portion of the Republican conference, but you've got enough Democrats to get it through.

When you're a Republican speaker, you never want the Democrats to take care of getting things through Congress.

MCSHANE: And quickly, Rich, before we get to this interview with Jay Mohr about how much trouble politically you feel. You speak to the Republicans on the Hill all the time and I'm sure the Tea Party on one end and someone like Congressman King on the other end and will replay that interview later this hour. How much damage, control or what does the speaker have to do next here?

EDSON: This is an ongoing fight that's been going on all year between the Republicans and the House speaker cut in the middle. What can he realistically get done and what do his freshmen members actually want to accomplish?

This kind of came to a head and he's been listening to his folks in conference all along. Some of them have felt burned on some of the deals that he's made throughout the year, but this really came to a head and cut the deal and said we're doing it today.

MCSHANE: Yes, it's -- well, the politics I guess are fascinating and what actually gets done, come on. Here we are. At least we got it done before Christmas, we think. Thank you, Rich.

Rich Edson, good reporting from Washington D.C. And if you haven't seen the interview or didn't it earlier with Peter King, you want to stay tuned for that later on in this hour.

But right now, Jay Mohr, he really is one of the funnier guests we have on the show and here is his latest appearance with Imus.

(BEGIN VIDEOTAPE)

IMUS: Please welcome now, Jay Mohr. Good morning, Mr. Morh.

JAY MOHR: Hello, Mr. Imus.

IMUS: Remember when you were single and you get drunk, there's always somebody to call and let you come over.

MOHR: That's for me-- who was it for you.

IMUS: Doesn't make any difference, but that's what I feel like. How about you?

MOHR: I'm the guy, I'm your late night booty call.

IMUS: Because?

MOHR: You're like, you know what? Bartlett -- Bartlett is not wearing socks today, call Jay Mohr.

IMUS: You want something and here you are. We're delighted to have you back.

MOHR: Thanks for having me back. I love -- I don't really ever get to talk politics until I'm here and Donnell-- Connell, Connell McShane, sounds like the villain in a Spider-man comic strip. Is that your real name, off the boat from Ireland --

MCSHANE: Would I use it if wasn't my name?

MOHR: Are you the lead singer of the Poe's and Dagen is good for a courtesy laugh. And back there fixing her bangs and who is the new gal, Diane?

IMUS: Yes.

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MOHR: Like a pseudo minority hire, she's Portuguese they let you off the hook.

IMUS: She can sing, you know.

MOHR: She could sing. Hi, Diane, there she is.

MACEDO: Hi, Jay.

MOHR: On her paper work, she fills out Puerto Rican.

IMUS: We had a battle of the bands last summer on this program and her band won.

MOHR: What was the name of your band, Diane?

MACEDO: It still is Tribeca Rhythm.

MOHR: Tribeca Rhythm, that a girl, I don't know.

MACEDO: I was expecting some sort --

IMUS: She won singing "Rolling in the Deep," Adele song, a pretty decent job. Why are you here? You must be promoting something.

MOHR: I'm not sure.

IMUS: You're not?

MOHR: No. They just said when you're in New York, do you want to do Don Imus. I said don't ever ask. Let's assume and make it happen. I have a podcast, on iTunes, Mohr stories.

IMUS: Don't you have a new TV show?

MOHR: No.

IMUS: You don't?

MOHR: No, just strictly here for the exposure. I want my face between -- the little league scores and stock reports.

IMUS: The last time you were here, you had that "Gary Unmarried" thing, right?

MOHR: Yes, that got canceled. That show is in remission.

IMUS: It is. Then you were up for the "Two and a Half Men" thing, right?

MOHR: You asked me if I was. You had the inside scoop and I didn't know, I didn't think I was, but they got the Ashton Kutcher now.

IMUS: And the podcast, you and your friends sitting around.

MOHR: Recipe for success, two comics talking.

IMUS: Could be funny, could not be funny.

MOHR: Yes, but you could always edit out the not funny parts.

IMUS: You do have the luxury.

Congress Strikes Tax Cut Deal; Andrew "Dice" Clay Replay Package; Stuart Varney Interview; European Market Update; Carol and Mary Higgins Clark Replay Package

MOHR: You need that button here, like this last two and a half minutes of you and I pondering what a podcast is, walking grandpa through technology.

IMUS: ESPN can't fire Hank Williams, Jr., of course they can.

MOHR: They can do whatever they want.

IMUS: But doesn't that offend you?

MOHR: It offends me anytime someone is held up to the light for saying something. You have to be able to say it. You have to have the right to say it and realize he when you say it and you are the guy that really cot your feet to the fire first.

IMUS: Yes.

MOHR: For something I thought was ridiculous, but they also have the right to tell you to get lost. Look, let's not -- let's call a spade a spade, Hank Williams, Jr. os such a mess and wearing the sunglasses and stippled beard.

He looked like he's in the witness protection program in that whole interview. I mean, that was his big joke. It was like Hitler and Netanyahu playing golf together.

He probably had like a group of people helping him pronouncing Netanyahu. Do we really need to hear it? Are you ready for some football let's get something new.

IMUS: That hurts me, Hank is my friend. You can't do this.

MOHR: Hank is your friend. His father thinks he sucks. And his father every Halloween comes out of his grave, stop singing. Hank Williams, Jr. is like the Black Eyed Peas of the Williams family. You're going to look me in the eye and say that Hank Williams Jr. isn't horrible.

IMUS: You know, my wife says the same thing.

MOHR: Your wife and I are trying to talk sense to you.

IMUS: Hank made good records.

MOHR: Name one.

IMUS: All my rowdy friends, that's good, family tradition.

MOHR: All of my friends are goose stepping to ESPN right now.

IMUS: Well, Hank fell off a cliff, you know.

MOHR: He looks it.

IMUS: No, I mean, but --

MOHR: Evil Knievel after Snake River Canyon, holy smokes, his beard is on crooked and he's got a chin strap for his hat and this guy doesn't know what he's doing. He doesn't know whether to go blind.

IMUS: This is not going, not working out the way I wanted for my friend Hank.

MOHR: Well, I think he's terrible. I'm not going to lie to the I-man. What do you want me to tell you, I went to the gym earlier today?

IMUS: But you look good.

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MOHR: Way too many naked guys at the gym. I'm a pervert. I look at every guy's package and want to see what's happening out there in America.

IMUS: You do.

MOHR: I do. I like -- here's what you do if you want -- guys go in the Jacuzzi at the gym naked, which I find disgusting. If you want the Jacuzzi to yourself, just go in and sit facing the Jets. Just sit there, holding the concrete.

And by the way, ladies, because you have a lot of ladies that watch the show, mostly because they all want to have sex with Warner Wolf, I said that like Bob knew heart. They want to have sex with Warner, Warner Wolf.

WARNER WOLF: Come on, Jay.

MOHR: Let's go to the videotape, Yankees booed.

IMUS: You're a Yankee fan though.

MOHR: No, it hate the Yankees.

IMUS: You're a Mets fan, aren't you?

MOHR: No, I'm a Dodgers fan.

IMUS: OK.

MOHR: I hate the Yankees.

IMUS: How did the Dodgers do?

MOHR: Not well. But you know what? Don Mattingly probably had two more years of managing because the McCourt divorce was a good smoke screen for him that nobody realized he was kind of doing a poor job. No one was talking about the fact -- with a young candidate at the top of the rotation should do better than ten games below 500.

IMUS: Are you a Jets fan.

MOHR: I love the Jets. I love them.

IMUS: And you like Ryan?

MOHR: I'm going to send Rex Ryan photos of my wife's feet because my wife has perfect feet and Oscar Wilde writes about wife's feat.

IMUS: How long have you been a Jets fan?

MOHR: I've been a Jets fan since 19 -- this is one for Warner Wolf, Gecko, Marty Lions, Mark Gasteneau, 1982, 11-year-old boy, sexually ambiguous and I fell in love with them.

IMUS: So what--

MOHR: Bruce Harper, number 42.

WOLF: Yes, Bruce.

MOHR: Little Bruce, careful there.

IMUS: You were sexually ambiguous at 11.

Congress Strikes Tax Cut Deal; Andrew "Dice" Clay Replay Package; Stuart Varney Interview; European Market Update; Carol and Mary Higgins Clark Replay Package

MOHR: Yes, always, in the gym facing the Jets for crying out loud. I was suppose to get a massage later today and I get more angst about getting a massage and they say to you, lay down, the lady says lay down, face down and I'll be right back.

So you lay down face down naked with your ass in the air and two minutes later someone comes back into the room and you just assume it's the lady that left.

For all you know it's like the fetish janitor in a batman mask and wants to massage the backs of your knees.

IMUS: How old is your son now?

MOHR: I've got a nine-year-old and six month old now who just decided, kicking our ass on the road.

IMUS: Is it a boy?

MOHR: It's a boy, a masculine child. Babies cry when they have to poop. Can you imagine having to go to the bathroom so bad that you weep? A lot of Vicodin and Imodium and cheese, and sit on the toilet weeping and people come in from other parts of the house in bathrobes, what's going on.

IMUS: I guess you have to take a Vicodin to get that one, right.

MOHR: Yes.

IMUS: The 9-year-old starting to ask questions yet.

MOHR: You know, he doesn't and it's starting to bother me. I thought like he should be a little more curious, I don't want -- he says do you know if you type in sex on the computer all crazy stuff pops up?

And I said, you should type in Tranny and see, that's, really weirder stuff, but I didn't tell him that. I said, all right, I'm going to tell him everything how it goes and I told him, the penis and thing and this and that and this happens and this comes out and fertilize.

I told him the vagina the hole every technical term exact and we were driving to Starbucks in Santa Monica and went to the counter and literally explanation and a woman gets pregnant and she as a baby through the vaginal canal and birth canal and how it goes.

And the regular looking gal goes, may I help you. And my nine-year-old says, hi. Suddenly looking at a woman completely differently like I literally just finished the explanation and all the things and parts and then a woman saying how can I help you to my nine-year-old.

IMUS: My kid is 13. When he was 9, same age as your son comes in and says, dad, I think I discovered masturbation.

MOHR: At nine?

IMUS: Yes.

MOHR: That's -- that's young. He's a trail blazer.

IMUS: First of all, I told him, I don't think you discovered it. And that's the first thing. It's good that you -- I feel better about myself now, I don't feel like a slut because you didn't, you didn't really have anything, right, Connell.

MCSHANE: That's right.

IMUS: You just came in to be funny which you were. Always fun to have you on.

Congress Strikes Tax Cut Deal; Andrew "Dice" Clay Replay Package; Stuart Varney Interview; European Market Update; Carol and Mary Higgins Clark Replay Package

MOHR: It's my favorite thing. I wake up with a pep in my step and walk here from my hotel and staying at a youth hostel in Chelsea. Boys.

IMUS: Jay Mohr.

(END VIDEOTAPE)

MCSHANE: Jay Mohr on IMUS IN THE MORNING and just a moment we're going to continue to bring you some of the latest headlines today from Washington and from here in New York.

And an update on the markets, which look like they'll open higher. I also my interview from earlier in the morning with the New York Congressman Peter King.

A lot to say about the payroll tax cut deal and a lot to say about his own party. We'll be back with that and a whole lot more as IMUS IN THE MORNING continues on Fox Business.

MCSHANE: Breaking news has just come in to us from Colombia, pipeline explosion there. Eighty people injured and eight people have been killed according to Colombian police. That's basically all the information we have on it.

But it just come in and wanted to pass it along to you, again, 80 people injured. Eight people dead in a pipeline blast in Colombia.

All right, let's go now as we talked about earlier this morning, Peter King was on with us, congressman from New York talking about the payroll tax cut deal approved and lot to say about the party and the in fighting in the Republican Party, but here is the interview for you right now.

(BEGIN VIDEOTAPE)

MCSHANE: Let's talk more now here on IMUS IN THE MORNING on Fox Business about this payroll tax deal, as we have Congressman Peter King as a regular on IMUS IN THE MORNING.

A Republican from New York with us on the telephone, you know, a lot to talk about, Congressman and thanks for joining us, by the way, with no Imus here, at least you won't get abused I guess, the upshot from that.

CONGRESSMAN PETER KING (R), NEW YORK (via telephone): Connell, I'd much rather be on with you than Imus, believe me. First of all, you're a gentleman and Merry Christmas.

MCSHANE: Merry Christmas to you as well. Now turned into a bit of a mess, didn't it, for your Republican caucus in the House this whole deal?

KING: Yes, let me just say I give John Boehner credit for getting us out of this without too much damage being done. I believe we should have agreed to this last week. I told the leadership that.

This initially was a victory for the Republicans. President Obama gave in on the millionaires' surtax. He gave in on the Keystone pipeline and yet we had people in our party who didn't know when to accept a victory and they really drove us to the edge.

And John Boehner kept us together through all these and got us out with a minimum of damage. This was all unnecessary wounds, self-inflicted wounds over the last four days.

MCSHANE: Because every headline this morning is that the Republicans are bowing to the pressure. They surrender, retreat and "Politico" says the humbling of the House GOP so pretty much handed the president a political victory, wouldn't you agree?

Congress Strikes Tax Cut Deal; Andrew "Dice" Clay Replay Package; Stuart Varney Interview; European Market Update; Carol and Mary Higgins Clark Replay Package

KING: Out of defeat. I remember last Saturday morning watching the talking head thing, how does President Obama explain the cave-in to his base. Before the day was out, the Republicans had taken him out of the cave and put ourselves on a path to a tough fight.

To say, I'm going to be at the Republican Conference on Monday night and person after person denouncing the deal from the Senate and comparing themselves to Mel Gibson in brave heart, all these references to brave heart over and over again.

And as I was sitting there, I was thinking Mel Gibson was also in a one of the worst military defeats ever and that was one where they were charging in convinced the British were going to win and they got wiped out and that's what I saw happening to us.

Again, I don't blame John Boehner for this, he was in a position where an overwhelming number of people in his own party were against this. I believe it was really on their part and tried to keep us together and now got us out of it. So, but, again, there was damage done and it was needless.

MCSHANE: Does he pay a political price though? You talk about how he got you through it. There was one member of the Republican caucus of the House who told Fox News last night, one member did, we don't know the name of the person, but said that Speaker Boehner may have a hard time keeping his speakership after this, what do you think?

KING: The only person saying that is probably someone who said that we should have turned down the Senate deal and fought to the death. It wouldn't have fought to the death. It would have killed all of us and hurt the American people.

So I say it's the same type of person who made a mistake originally and wanted John Boehner to keep going on going. These people believed that if you listen to them we were winning it and the American people were with us.

Almost like the American version of the Arab spring and everyone was going to rally to our support. The fact is when you're in politics and government you have to realize what you can do and can't do.

Republicans are one third of the government and we, I believe, achieved a very solid-- not perfect, it wouldn't have been my bill, but much further along and in the real world you expect to get and when you get something like that you grab it and claim victory.

MCSHANE: You know, these people as you said, you're referring to them, well, many of them are freshmen in the House and most of them are Tea Party supporters or elected with Tea Party support and gave you guys a pretty nice majority in 2010, as many of them it point out last night.

Saying there wouldn't be a Republican majority if it weren't for the Tea Party and it weren't for us. What do you say to those, that part of your caucus of which you're not. You're not part of that wing of the Republican Party?

KING: No, again, the majority for us and well meaning and dedicated. I would say that everyone is in the party, anytime you're self-righteous and anytime you think you alone speak for the American people and the way they were denouncing the Senate bill as if it were some left wing manifesto.

The fact is that bill approved by Tom Coburn, Marco Rubio, Scott Brown and John McCain, those were whole list of solid Republican conservatives who supported that bill. Not that it was perfect, but life isn't perfect.

And you have to learn how to manage, you have to learn how to govern and learn how to fight the principle. Otherwise, if they're fighting for principle and what they believe in. The fact is they've now strengthened President Obama and going to hurt us and hurt the country in my own perspective.

Congress Strikes Tax Cut Deal; Andrew "Dice" Clay Replay Package; Stuart Varney Interview; European Market Update; Carol and Mary Higgins Clark Replay Package

MCSHANE: This doesn't sound like a very together Republican Party. You're talking about other members of your own party as self-righteous right in the middle of a presidential campaign. The Iowa caucus is coming up on January 3rd. The implications of this can be pretty big.

KING: Well, we had these implications all week. I'm hoping it's a wakeup call for everyone in the party and to realize that we can't be going off on missions again. Unless we think it through and realize the consequences because I kept saying, to myself and to others last Sunday, Monday, Tuesday, where does this lead?

Back to the Senate. Senate has no reason to come back and know they're in solid ground. They know the American people support their agreement and based on this agreement, most Republicans, 80 percent of the Republicans and Senate agree to.

So what are we going to do? We're going to stand and sit by while unemployed people can't get their unemployment payments while working families, \$1,000 to \$2,000 in extra taxes every week and every year and where does it lead?

And I think they just were so caught up in the fervor what they thought were right and by the way, on policy they were right in the abstract. We don't live in the abstract. We live in reality and devil his due.

Last Monday morning, Bill O'Reilly was on Fox and he was asked a question. What's going to happen with all of this? This is before Bill said, Republicans might be right on policy, but end up looking like pinheads.

And I hate to give Bill all the credit, but he really hit it on the, on the mark, and when I was talking to one of the Republican leaders Monday morning. When they asked me, what they were going to do he said I was here and I don't want to undercut John Boehner and Bill O'Reilly said we would look like pinheads.

MCSHANE: What does it mean for the presidential race? You said Newt Gingrich would be a nightmare for the party and wouldn't support him. And the races go on. The caucus is on the third and then the New Hampshire primary is right after. This internal fighting within the Republican Party, what's the effect of that in the presidential race do you think?

KING: Well, if it keeps going, it could hurt us. I think we have to come together and a wakeup call and we wake up call early in the game and time to get our act together and get behind the nominee.

I don't support Newt Gingrich, but we get together as a party. And again, it's an experience and well intentioned and good people and sometimes you have to get knocked around a bit to realize reality.

MCSHANE: All right, Congressman, great talk to you. Imus will call you some names next time and get back to normal.

KING: Merry Christmas, OK, forget Imus. You're the man, Connell.

MCSHANE: Merry Christmas to you. Happy New Year, Congressman Peter King, Republican from New York and it's pretty instructive what's going on inside the Republican Party at least one side of it from Congressman King.

(END VIDEOTAPE)

MCSHANE: And that was from earlier this morning and the other side of it of course is what's happening with the Tea Party Republicans. Good morning, everybody. I'm Connell McShane. It's the 9:00 hour Eastern Time here. We're about half an hour until the opening bell on Wall Street. We'll get you set for the trading day ahead.

## Classification

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