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WOLF BLITZER, CNN ANCHOR: And joining us now on Capitol Hill, Senator Barack Obama.

Senator, thanks very much for inviting us into your office.

SEN. BARACK OBAMA (D-IL), PRESIDENTIAL CANDIDATE: Thank you for having me.

BLITZER: Let's talk about the dominant issue right now affecting the country, the war in Iraq. Some of your critics say you have not done enough to stop this war since coming into the United States Senate. What do you say?

OBAMA: I'm very proud of the fact that I was against this war from the start. I thought that it was ill conceived, and not in terms of execution, but also conception.

What I also said way back in 2002 is once we were in we were going to have to be as careful getting out as we were careful getting in and that we had some obligations to the Iraqi people as well as the national security of the United States to make sure that we handled an exit properly.

And that's what I've tried to be consistently projecting over the last two years of my time in the Senate.

BLITZER: Let me point out what you said back in 2003 and I'll give you the exact quote.

"I was asked, would I have voted for the \$87 billion and I said no, I said no unequivocally because at a certain point we have to say no to George Bush. If we keep on getting steamrolled we are not going to stand a chance."

You said no then but since then you have voted for funding the war.

OBAMA: Well, that 87 billion I had a very particular concern. And that was you had \$20 billion worth of reconstruction funds that were given out on a no-bid basis. And as a consequence, I was concerned that you would not see that money spent effectively.

BLITZER: That was largely for Halliburton.

OBAMA: That's exactly right. And since that time we've discovered that

in fact the money wasn't spent wisely. We still have \$9 billion that's mission somewhere in Iraq that we still aren't clear about.

Some of those procedures were tightened in the votes that I took but most importantly, I have said consistently that I think it's important if we're sending our young men and women into battle that they have all the resources they need to come back home safely and also to execute their mission.

BLITZER: Because some argue, opponents of the war, Dennis Kucinich for example, the Democratic presidential candidate. He takes a principled stand he's not going to vote to fund troops going off to this war because he believes that would help bring the troops home.

OBAMA: The problem is when you've got an obstinate administration that has shown itself unwilling to change in the face of circumstances on the ground and in that situation what you don't want to do is to play chicken with the president and create a situation in which essentially you don't have body armor, you don't have reinforced companies, you don't have night vision goggles.

Now there is a ratcheting up of pressure on the president and I am very pleased about the vote that took place yesterday where a majority of the Senate for the first time said we need to have a timetable.

BLITZER: He said he is going to veto ...

OBAMA: I ...

BLITZER: So there is a game of chicken going on right now.

OBAMA: I understand that he says he is going to veto it. There is no doubt he will veto it. But what you are starting to see, I think, is a bipartisan movement in the direction of having a clear end game and I am very pleased that the bill that I presented back in January calling for a phased withdrawal starting on May 1st of this year with the aim of getting all combat troops out by March 31st of next year, that many of the elements of that bill ended up being part of this package that was voted on yesterday.

BLITZER: If the president does veto it as he vows he will, what do you do then?

OBAMA: Well, I think we continue to put these votes up to the Senate, we put more pressure on many Republican colleagues of mine who I think recognize that the Bush approach has not worked but are still unwilling

to put pressure on their president.

BLITZER: Because he says the money starts drying up in mid-April for the troops who head over to Iraq.

OBAMA: I think that we continue to put a series of votes up and try to convince our colleagues on the Republican side that the only way that we are going to change the circumstances in Iraq is if you see a different political dynamic that there are, at this point, no military solutions to the problems in Iraq. That what we have to do is get the Shia, the Sunni and the Kurd to come together and save themselves. We, in fact, are willing to start making some compromises around oil revenues, around arming of militias and so on.

In the absence of that, we have sent 20,000 more troops, 30,000 more troops. We're not going to see a significant change.

BLITZER: Yesterday, I interviewed Republican presidential candidate John McCain. And he said this: "Failure is catastrophe. Failure is genocide. Failure means we come back. Failure means they follow us home."

What if he's right? What if he's right and what you're proposing and a lot of Democrats are proposing results in genocide in Iraq?

OBAMA: Well, look, what you have right now is chaos in Iraq. After having spent hundreds of billions of dollars, after seeing close to 3,200 lives lost, what you now see is chaos. And there's no end in sight.

Now, John McCain may believe that it's an option for us to maintain an indefinite occupation of Iraq, regardless what happens in terms of politics within Iraq, so that we're every year sending \$100 billion over to Iraq, so that every year we're seeing hundreds or thousands of young Americans dying, so that we continue to see a deterioration of America's standing in the world.

I don't think that serves the best interests of the United States. And I don't think it will ultimately result if the kind of stabilization in Iraq that's necessary.

Now, these are judgment calls. I don't question John McCain's sincerity in believing that the approach that he wants to take, which is essentially a continuation of Bush policies over the last six years, are the right ones to take.

BLITZER: If you're president of the United States in January of 2009, and the situation is basically the same in Iraq as it is right now...

OBAMA: Right?

BLITZER: ... what would be your immediate first step?

OBAMA: Well, the bill that I put in I think...

BLITZER: Assuming that bill doesn't go.

OBAMA: No, no, but I think that assuming that things are the same, I think the same dynamic will be at work, which is to say we're going to pull out our combat troops out of Iraq in a phased, systematic way, that we continue to provide the Iraqi government the logistical and training support, that we have those forces over the horizon to respond to crises that spill over into the remainder of the region. And most importantly, we have an aggressive diplomatic initiative with those countries in the region to make sure that we are part of a broader conversation about, how can we stabilize Iraq and stabilize the region?

BLITZER: You're president of the United States...

OBAMA: Right?

BLITZER: ... 15 American sailors and Marines are captured by Iranians, the Revolutionary Guard in the northern Persian Gulf, and they're held. What do you do?

OBAMA: Well, I think that the British obviously are taking the prudent steps that are required, sending a strong, unequivocal message to the Iranians that they have to release these British soldiers. I think that they are handling it in the appropriate way.

You know, my sense is that the Iranians are going to stand down fairly soon, but, look, one of the obligations of the commander in chief is to make sure that our troops are protected, wherever they're projected around the world.

BLITZER: So if they were to hold them, let's say, for 444 days -- Iranians have held Americans hostage for a long period of time -- what, do you just let them be held there?

OBAMA: No, you don't. I think you take firm action to make sure that those troops are returned.

BLITZER: Do you want to be specific?

OBAMA: You know, I think that it's important to say that all options, including military, would be on the table in such a circumstance.

BLITZER: Let's talk about the current crisis between the White House and Congress over the attorney general of the United States. A lot of Democrats, including yourself, would like to subpoena, if necessary, White House officials like Karl Rove to come testify about internal White House discussions leading up to the firing of those eight federal prosecutors.

But if you're -- would you want your top aides to be subpoenaed and their e-mail subpoenaed, wouldn't that undermine the confidentiality of the advice you're getting, executive privilege that is part of the U.S. legal system?

OBAMA: Well, let me say this about the president. I don't have an attorney general or a White House that is at least potentially meddling in the actions of U.S. attorneys who are acting independently based on the evidence and best judgment as to whether or not to prosecute cases.

BLITZER: The president can hire and fire these guys as he wants.

OBAMA: He can hire and fire these guys as he wants. What we can't see is a White House or an attorney general's office on that on the basis of politics is rewarding or punishing U.S. attorneys based on whether or not they are prosecuting potential political opponents.

That is a fundamental breach of rule of law and one of the reasons, by the way, that I voted against confirmation of Alberto Gonzales, because I felt very strongly that he was somebody who sees himself as the president's attorney as opposed to the people's attorney.

BLITZER: Are you worried that any steps you might take now could tie your hands if you were to become president?

OBAMA: I think that the issue of executive power and executive privilege is one that is subject to abuse and in an Obama presidency what you will see will be a sufficient respect for law and coequal branches of government that I hope we don't find ourselves in a situation in which we would be having aides being subpoenaed for what I think everybody acknowledges is some troublesome information.

BLITZER: Let's talk about some political issues that have recently come up. General Peter Pace, the chairman of the Joint Chiefs of Staff, he caused an uproar by suggesting in his personal opinion, homosexuality is

immoral. I know you responded, gay groups were a little concerned by your -- at least initial not distances yourself from that stand -- I know they were upset at President Clinton as well ...

OBAMA: I'm not sure that the story got out there properly. I mean, what happened was I was leaving a firefighters' union meeting and trying to get in my car and did not respond to a reporter's query at that point. I wasn't responding to reporters period because I was trying to make a vote.

Subsequently I made it very clear. I don't think that gays and lesbians are any more moral or immoral than heterosexuals and that I think it is very important for us to reexamine the don't ask, don't tell policy because it's costing us millions of dollars in replacing troops that by all accounts are actually doing a good job but are simply being kicked out of the military because of their sexual orientation.

BLITZER: Should there be gay marriage? If you were president, would you push to allow gay marriage in the United States?

OBAMA: Well, I think that "marriage" has a religious connotation in this society, in our culture, that makes it very difficult to disentangle from the civil aspects of marriage. And as a consequence it's almost -- it would be extraordinarily difficult and distracting to try to build a consensus around marriage for gays and lesbians.

What we can do is form civil unions that provide all the civil rights that marriage entails to same sex couples. And that is something that I have consistently been in favor of. And I think that the vast majority of Americans don't want to see gay and lesbian couples discriminated against, when it comes to hospital visitations and so on.

BLITZER: Al Sharpton caused a bit of a stir when he said this: he said, "Why shouldn't the black community ask questions? Are we now being told, 'You all just shut up?' Senator Obama and I agree that the war is wrong, but then I want to know why he went to Connecticut and helped Lieberman, the biggest supporter of the war."

Have you and Al Sharpton made up since then? Have you gotten over that little dispute?

OBAMA: You know, I don't think there was much going on there. The Reverend Sharpton has been a terrific advocate on behalf of the dispossessed. I've always expressed my respect for him. I think this was a misunderstanding as a consequence of his reading of a report in New York, and I called him and said we had nothing to do with the article.

I think he makes a larger point, which I think is right on target, which is that I don't expect African Americans to vote for me simply because I'm African American. If they do end up moving in my direction, it's going to be because they see my advocacy on behalf of racial profiling legislation, on behalf of reforms to the death penalty, on behalf of getting health care for kids -- on behalf of issues that are of importance to the African American community and to the people outside the African American community.

I think I've got to earn that support, like any other candidate.

BLITZER: You must wake up every morning and say to yourself, 'I'm running for president of the United States. Am I ready' -- not only for a campaign, but if you're elected president -- 'Am I ready, really, to be commander-in-chief?' What do you say to yourself when you ask yourself that question, because you know the enormity of the responsibility that you'd have?

OBAMA: The -- when I thought about getting in the race, I was much less concerned with the campaign than actually serving as president. I think anybody who runs for president and isn't mindful of the enormous responsibilities that a president has to shoulder is making a mistake. And I'm under no illusions that the pressures and pace and the extraordinary determination that's required to carry out the responsibilities of that office are ones that are unlike anything else that you do.

I believe that I am ready to lead this country and I think that, during the course of this campaign, people will a sense of what my values are. I think they will come to trust my judgment and I think, as a consequence, we'll end up doing very well.

BLITZER: Senator Obama, thanks very much for inviting us into your office.

OBAMA: I had a great time. Thank you.

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