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FACE THE NATION

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BOB SCHIEFFER: Today on FACE THE NATION, President Obama's massive economic recovery plan gets a boost in the Senate but there's a fight ahead, not just with Republicans but with Democrats as well in the House.

After a week of marathon, closed-door bargaining, the Senate finally put together a compromised economic recovery plan. They'll take a final vote on it Tuesday.

But can senators put together a final version that can also pass the House where Democrats want even more spending? And, will any of it work?

We'll talk to the bill's leading opponent so far--Arizona Senator John McCain and the top Democrat on the Senate Budget Committee Kent Conrad.

We'll hear from Christina Romer, chairman of the President's council on economic advisors. And I'll have a final word on some sobering statistics.

But, first, passing the stimulus bill on FACE THE NATION.

ANNOUNCER: FACE THE NATION with CBS News chief Washington correspondent Bob Schieffer. And now, from CBS News in Washington, Bob Schieffer.

BOB SCHIEFFER: Good morning again. Senator John McCain is with us in the studio this morning for, I believe, his sixty-eighth appearance on FACE THE NATION, which is more appearances than any other single person. You passed up Bob Dole, last year, to hold that dubious honor.

I want to start here, Senator. Welcome back.

SENATOR JOHN MCCAIN (R-Arizona): Thank you, thank you, Bob.

BOB SCHIEFFER: Steve Holland of the Associated Press wrote a little piece, the other day, that I-- that caught my attention. It said, when Al Gore lost his run for President, he went to Europe and grew a beard. The first George Bush was knighted and started parachuting out of airplanes. Bob Dole made Viagra ads. And you just went back to work in the Senate. How are you doing?

SENATOR JOHN MCCAIN: Fine. And I think the best cure for-- for defeat is, as tough as it may be, is to get back in the arena. I love what we do in the Senate. I'm honored to serve. I'm honored to represent the people of Arizona and have some voice in major challenges and crises that we face, both at home and abroad.

So, best cure, and I'm happy to be back. And I'm happy to be back on this program.

BOB SCHIEFFER: Well, you have emerged as the main opponent, I think, of the Senate-- of the President's economic recovery plan, at least the version that came up in Senate.

You offered another plan about half the size of this one. It was defeated on a straight party-line vote. But I want to ask you, now that you have made your point, do you intend to support this plan? Because I think economists on all sides of this say something has got to be done, here.

SENATOR JOHN MCCAIN: Well, I can't, Bob. And I can't because I think it's the greatest transfer of not only spending but authority and responsibility to government. I think it's a massive. It's much larger than any measure that was taken during the Great Depression. I think it has policy changes in it which are fundamentally bad for America. For example, there are "buy America" provisions. That's-- that's protectionism. It didn't work at any time in our history.

But most of all, because I think this can only be described as generational theft. What we are doing is amassing multi-trillions of dollars. If you look at what is going to be announced tomorrow or Tuesday, a new TARP. We've already spent seven hundred billion, another, how many--half a trillion or more--

BOB SCHIEFFER: (OVERLAPPING) This was aid to banks?

SENATOR JOHN MCCAIN: Yes. Then we're going to have a supplemental to pay for the war. We're going to have what we call a continuing resolution, another four hundred billion dollars.

We're going to have, already, 1.2-trillion-dollar deficit, by estimates. And it's just begun. We're going to-- we're going to amass the largest debt in the history of this country by any measurement. And we're going to ask our kids and grandkids to pay for it.

So I thought we needed-- I know we're in trouble. I know America needs a stimulus. We need tax cuts. We need to spend money to-- on infrastructure and on other programs that will immediately put people to work. But this is not it.

And, one small example and I'll stop. We had another vote and got 44 votes on a trigger, on a trigger that said that once we have GDP growth for two quarters--in other words, the economy recovers--that we will stop the spending and we'll put America on a path to a balanced budget. That was rejected. And why is that? Because we're putting into permanency massive spending programs and massive responsibilities taken over by the federal government from the private sector.

BOB SCHIEFFER: Let me just ask you this. You're against this. You don't like this approach. But do you think that it will help?

SENATOR JOHN MCCAIN: I think that it may help a bit. The Congressional Budget Office said that it will create, by the end of next year, between 1.3 and 3.9 billion-- million jobs. Now, that's the Congressional Budget Office, an objective organization. That is if it's-- if it's 3.9 million jobs, that's two hundred and some thousand dollars per job. And if it creates 1.3 million jobs, then that's six hundred thousand per job.

But more importantly, the Congressional Budget Office says that, because of the crowding out--in other words, the debt we are going to have to pay off--you will see, by later years, an actual decrease in our economy. We don't want to do that to future generations of Americans.

BOB SCHIEFFER: Economists on all sides of this seem to be saying, it is not so much the size or the composition of this stimulus package, that that is less important than the timing, that even a flawed package would be better than nothing. Would you concede that's right?

SENATOR JOHN MCCAIN: There's some economists-- many economists, Marty Feldstein, for example, who said we need a stimulus but not this stimulus. There's a-- there's a large body of economists who agree. And I agree with them. We need a stimulus. And I thought it would be around four hundred and a group of us--all Republicans thought it would be around four hundred and twenty billion dollars, and—and balanced tax cuts and spending.

And by the way, this agreement is not bipartisan. I've been in bipartisan agreements, many. This is three Republican senators. Every Republican congressman voted against it in the House, plus Democrats, and all but three Republicans stayed together on this. That's not bipartisanship. That's just picking off a couple of senators.

BOB SCHIEFFER: What has to happen to this bill? If the Senate will pass it, basically, in the form it's in now, it will go to this conference committee where House and Senate negotiators will reconcile it with what the House has passed. Really, when you go to the totals, we have a little

graphic, here and you look at it, it's not so different when it comes to money, as you can-- as you can see in this graphic.

But there are differences. They've taken out a lot of aid to the states. They've taken out a lot of money for school construction, for example.

What do you think has to happen to get it passed and-- and-- and to get some Republican votes? Because the President keeps saying he thinks it's very important to have as many Republicans as he can get. So far he hasn't gotten any. What should he do?

SENATOR JOHN MCCAIN: Well, I think, from the beginning, when the speaker of the House said, "We won, so we're writing the bill," that set the stage.

It was put through both House and Senate without serious fundamental at-the-beginning discussions and negotiations with Republicans. Democrat staffers, as we speak, started last night. And, by the way, we just got the bill last night at eleven o'clock, 778 pages. They're negotiating now. They will-- they will-- they will come up with a bill. But, unfortunately, Republicans will not be involved in those negotiations. And I-- and I-- and I regret that.

And in interest of full disclosure, that's the way the Bush administration, when we Republicans were in charge, that's the way we did business. But I thought we were going to have change. And that change meant we work together.

This is a setback. This is a setback for all Americans, in my view, because we promised, all of us, that we would work in a more bipartisan, inclusive fashion. And that's certainly not been the case for this bill. And I regret that deeply.

BOB SCHIEFFER: All right. Well, Senator McCain, welcome back. And I hope we'll see you again through the year.

SENATOR JOHN MCCAIN: Thanks for having me on, Bob.

BOB SCHIEFFER: In a minute, we'll get a Democratic side to this, in one minute.

(ANNOUNCEMENTS)

BOB SCHIEFFER: And we're joined now by the chairman of the Senate Budget Committee, Democrat Kent Conrad.

Senator, thank you for coming this morning. What's your response to what Senator McCain just said? Because he made some pretty legitimate points, quite frankly.

SENATOR KENT CONRAD (Chairman, Budget Committee): Yes, absolutely. Look, so much of this is eye of the beholder, but let me be very clear. It is absolutely essential for this country that we have a significant economic recovery package. This economy is falling away from us. You saw increase in joblessness six hundred thousand people last month. The economy is contracting at a rate of four percent. We think that will accelerate. We think in this quarter the economy will be reduced by perhaps as much as five percent. That means millions of additional Americans will lose their jobs if we fail to act, and act effectively.

BOB SCHIEFFER: You may well be one of those appointed to go to conference on this when the Senate and the House try to reconcile the differences in the two bills. Clearly, members of the Senate of your own party are going to try to put some things back in this bill, like, for one thing I would guess, some of this aid that's going to states, some of this twenty billion dollars that's been set aside for schools and school construction.

How's that going to go? What are you going to have to do there to get something-- do you think, I guess, I would ask you this question, do you think you can get any Republican support? There was no Republican support in the House.

SENATOR KENT CONRAD: I think it is possible, although I think most of them have made a political calculation that it's better to be in opposition. And you can see that on a political basis because, look, this economy is in desperately serious shape. It is going to get worse before it gets better. So they will be able to argue this package was ineffective.

But here's the reality, the economic reality. If there is a failure to give a significant boost to this economy, this crisis will only deepen and become far more serious. Look, the fiscal system alone is going to require hundreds of billions of dollars more. The best estimates before the Budget Committee is that there have been in the range of four trillion dollars in losses across the globe in terms of the fiscal system. And unless that is dealt with and dealt with promptly and dealt with in a way that is fully effective, we could enter a far seri-- more serious downturn. A deflationary spiral could begin like we saw in the Great Depression. That would be a disaster.

BOB SCHIEFFER: Senator McCain makes it a point that some of this is not going to stimulate the economy. And basically what he's saying, and these are my words, not his, is that some of this is just the pet projects that Democrats have been trying to write into law for a long, long time. And while they may be good things, they will not help get this economy going again. How-- how do you respond to those allegations?

SENATOR KENT CONRAD: You know, Senator Lindsey Graham and I offered an amendment to take out some of these things that have less stimulative effect in favor of addressing the housing crisis, which must be addressed, because unless we have a healthy housing market and housing and fiscal situation has stabilized, we can't have recovery.

But, look, in economic terms, in economic terms, stimulus is stimulus. If you put more money into the economy to offset this falling demand. Remember what's happening here: The economy is contracting. And consumers don't have the money to put in to offset those losses. Companies don't. The only one that does is the taxpayer of the United States. We are going to have to come forward and put up money to offset this falling demand. If we don't, we could enter a deflationary spiral that would be devastating.

BOB SCHIEFFER: Are you willing right now, and I know you don't want to negotiate before the negotiations start, but will Senate delegates to the conference committee, will they be willing to put, perhaps, or at least listen to the House Democrats who say, "Let's put some of these things back in that you took out?"

SENATOR KENT CONRAD: Yes. And, look, I was part of the group that performed some of this surgery. We reduced this package by a hundred and seven billion dollars. I had amendments to reallocate money, to take it out of lower-priority areas, put it in higher-priority areas, like the housing crisis.

I'm very much hopeful that, in this conference committee to work out the differences between the House and the Senate, that we can improve it. You know, eighty percent of this package will be effective in the first two years. That means twenty percent will not. I think we've got to focus like that.

BOB SCHIEFFER: You think that people will see an impact in this immediately?

SENATOR KENT CONRAD: Well, some of the things you will see very quickly. And that's really a key to stimulus. Most of the economists have said what is absolutely critical is that this be temporary in nature so that we get money into the economic bloodstream, but at the same time we don't add to the long-term deficit and debt. That is, you don't take steps that have permanent

effect. Unfortunately, there are items still here that have long-range effect well beyond the time that we expect this downturn to-- to continue. So I think we could improve this package.

BOB SCHIEFFER: All right. Senator Conrad, thank you.

And we'll be back with the White House take on all of this in just a moment.

(ANNOUNCEMENTS)

BOB SCHIEFFER: And we're back now with Christina Romer, the head of the President's Council on Economic Advisers, who is making her first appearance on FACE THE NATION, Senator McCain here for the sixty-eighth time. So, we hope that some day you'll have been here sixty-eight times.

CHRISTINA ROMER (Chairwoman, Council of Economic Advisers): Well, it's a pleasure to be here.

BOB SCHIEFFER: So here we are. The President has put his economic plan out there. The House passed one version. The Senate passed one about the same in dollars, but with some different emphasis.

What now? What do you think is going to happen here? And is the President willing to negotiate a little bit when this thing gets to conference? Because it looks like it's going to pass the Senate, but will we see him take a more active role in this?

CHRISTINA ROMER: Well, I think that the-- the crucial thing that-- that has to happen is we have to get this plan through Congress and signed and-- and out there to help the American people, because as the numbers that came out last Friday showed, the American economy is very sick and, by all indications, getting sicker, right? We lost six hundred thousand jobs just in the month of January.

So, absolutely, this is priority one. And the President is looking forward to working with Congress and making sure we get a bill out absolutely as fast as-- as possible.

BOB SCHIEFFER: Now, the other thing that's going to happen this week is that the secretary of the Treasury, Mister Geithner, is going to release his plans on how to use this TARP money, this so-called TARP money. Now, as I understand it, he's going to be talking about money that the Congress appropriated last year. Is that right?

CHRISTINA ROMER: Absolutely.

BOB SCHIEFFER: And is he going to be asking for more? Because some people are saying that's-- even that's not going to be enough. And I guess he's got three hundred and fifty billion dollars now to figure out what to do with to-- to shore up banks.

CHRISTINA ROMER: Well, certainly one of the-- the key things that we know is, as important as the stimulus package is, the financial rescue is also important. We also in the administration are committed to-- to working with the housing problem and helping those millions of Americans facing fore-- foreclosure.

So it's going to be a-- a range of proposals. And, absolutely, dealing with our financial system is-- is very high on the list.

And-- and, as you pointed out, Secretary Geithner is going to be announcing this week how we're going to use that money effectively.

I think the American people do have a-- have a certain lack of confidence in how the money had been used in the last administration. And now that there's a new administration in-- in office, we're committed to using it effectively.

BOB SCHIEFFER: We were told he would announce this tomorrow, but now it may be put off until Tuesday?

CHRISTINA ROMER: I think we're-- we're still working out the-- the absolute-- the actual timing. I think the crucial thing is, both these things need to get done. We need to get the stimulus package through. And we do know that-- that any package to get the economy healthy is going to be more effective if we get the banks healthy, because we've got to get them lending again.

BOB SCHIEFFER: One of the things we're hearing is that there may be as much as fifty billion dollar-- dollars in there to help on-- on foreclosures, people with-- that have problems with their mortgages. Can you confirm that?

CHRISTINA ROMER: Yes, that certainly. The director of the NEC, Larry Summers, has actually put that number out quite a while ago to say that we were absolutely committed to dealing with the housing problem and, as the-- the President mentioned so often during the campaign, the-- the crisis that's facing American families in terms of the millions of people in-- at risk of-- of foreclosure.

BOB SCHIEFFER: Did you-- do you believe that the stimulus funds that have already been distributed, do you think that worked? Because a lot of people say, "I don't see any difference. I'm not sure if it worked or not." We keep hearing these reports that, maybe, the government doesn't even know where some of this money went.

CHRISTINA ROMER: I think-- I share the same skepticism or-- or sort of disappointment that the American people share of-- of how that first three hundred and fifty was put in. And-- and I think one of the biggest problems is, we don't know a lot about what happened.

And one of the things that-- that President Obama has made so clear is that this time around, now that-- that-- that we're in charge, he wants complete transparency. He wants a full accounting. And I think that's going to restore the confidence to the American people and it's going to make it more effective.

BOB SCHIEFFER: This-- this-- this economic recovery plan that we've seen-- the House passed one version, it looks like the Senate is going to pass one that's a little bit different--how do we know that's going to work?

Because as I listen to these economists on both sides--some say, "This-- this works," others say, "That works"--there seems to be no overall consensus on what works. When would you think we'd be able to see some effect when this stimulus package passes?

CHRISTINA ROMER: Well, I think there are two things to say. One, I think there is more consensus that it's going to work than-- than, maybe, your description would-- would lead us to believe.

I think economists actually throughout the, sort of, ideological spectrum, I think, are-- are agreeing that the kind of program we're talking about, this well-balanced program, a bold, big program, it's going to be very effective.

You know, the President gave us as a crucial sort of marker any plan that comes out has to create between three million and four million jobs. And one of the things that-- that I've found very reassuring is, sort of, forecasters across the spectrum, from Mark Zandi at-- at Economy.com to

macroeconomic advisers to our own estimates, all say that the programs that we're looking at are going to do what-- what the President said we-- we needed to do.

BOB SCHIEFFER: The-- the Senate, of course, took out a lot of the money that was going to states, that the states, of course, obviously, are saying, "We need that money back." Do you think that that's going to be put back in this? And would-- would-- if it-- if it was added, would that be something the White House would go along with?

CHRISTINA ROMER: Certainly, the-- you know, we're-- we're pleased that something is-- is coming out of the Senate and that we're going to be getting a-- a bill into Conference we hope next week. I think what the particular parameters look like, we're-- we're monitoring and waiting to see.

I think the important thing-- you were right. One of the things about that state fiscal relief is it does get out the door quickly. It is something that we think creates jobs quickly.

And so, as we're thinking about the-- the final package, one of the things I'd be looking for was, if that's out, is something else in that will-- will serve that,

BOB SCHIEFFER: How would-- how bad would it be if this whole thing went down?

CHRISTINA ROMER: I think it would be-- the word the President used was catastrophic. I think we can't-- you know, the numbers that are coming out that I, certainly, have been watching since I-- I joined the transition are, quite frankly, truly frightening. And I think all of the estimates, if we don't do something, are that this could be very, very serious. And-- and as Senator Conrad mentioned, the-- the fear of deflation, the spiraling out of control, that's the thing that's in the back of my mind. So, you know, the point of-- point of optimism is, I feel very strongly it's in our hands, that if we can get this package through, we can turn it around and-- and be back on the road to growth.

BOB SCHIEFFER: All right. Thank you so much, Doctor.

And I'll be back with a final word in just a moment.

(ANNOUNCEMENTS)

BOB SCHIEFFER: Finally today, this is not a commentary. It is a collection of facts: 598,000 jobs were lost in January. That's the largest loss in thirteen consecutive months of decline.

Since December of 2007, 3.6 million jobs have been lost, half of them in the last four months. More than eleven and a half million people are now unemployed. Unemployment stands at 7.6 percent.

The underemployed--that is, those who have given up looking for work and those who are working part-time because they can't find full-time jobs--now stands at 21.7 million people.

More than thirteen and a half million Americans now owe more than their homes are worth. Retirement accounts have lost more than two trillion dollars in a year. The global economy is getting worse, which will make it harder to sell American goods abroad, and the banking system is a mess.

The following is also not a commentary. It is a true-false test. The process is under way, but in light of those numbers you just heard, wouldn't it be better for all of us and for them, as a matter of fact, if Congress, Democrats, and Republicans, now put less emphasis on partisan games from here on in and more emphasis on trying to resolve all of the above?

(ANNOUNCEMENTS)

BOB SCHIEFFER: That's our broadcast. We'll see you next week, right here on FACE THE NATION.

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