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TELEVISION PROGRAM TO "CBS NEWS' FACE THE NATION."



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TOPIC: The Obama Plan to Rescue the Economy:
Can We Afford it?

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TRANSCRIPT

SCHIEFFER: Today on "Face the Nation," is the president doing enough to help the faltering economy, or should he do more? And the big question now, will Democrats go along?

It seems as if every time the Obama administration announces a specific effort to help the economy, Wall Street tanks. Why is that?

And is the second stimulus package in the works? We'll ask Peter Orszag, the White House budget director. And if Republicans don't like what the president is doing, what is their plan? We'll ask the head of the House Republicans, John Boehner.

We'll talk about the Limbaugh flak and the rest of the week's news with Michael Fletcher, who covers the White House for the Washington Post, and syndicated columnist Kathleen Parker.

Then I'll have a final word on mixed messages.

But first the economy 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.

SCHIEFFER: And good morning again. The White House Budget Director Peter Orszag is with us here in the studio. From Cincinnati, Ohio, Republican leader in the House, John Boehner. We're going to start this morning with Peter Orszag.

Mr. Orszag, there seems to be opposition building now, not from Republicans -- they've been against it from the get-go -- but from Democrats, to the president's plan to fund the expansion of health care by reducing the deduction that upper-income taxpayers get when they give to charities.

The Treasury secretary said the other day the administration understands there are other ways to fund health care. Does that mean that the president is rethinking this plan to reduce those deductions on upper-income taxpayers?

ORSZAG: Well, I think as people start to look at that proposal in more detail and compare it to the alternatives, they're going to come around to our proposal.

Let's step back and remember, we want to get health care reform done this year. Health care costs are burdening workers, state governments, and the federal government. We just held a health forum in which there was broad bipartisan support for getting health reform done this year.

In addition, we have significant savings within Medicare and Medicaid that we have put on the table. For example, \$177 billion in reducing subsidies to private insurance companies that cover beneficiaries under Medicare and do it inefficiently. I think there's a lot of momentum behind health care. We're going to get it done this year.

SCHIEFFER: But I want to go back to my question. Is the president going to consider this idea of reducing those deductions as part of a plan to fund health care?

ORSZAG: Look, we've put a proposal on the table. We think it's a good proposal. Inevitably, as the legislative process moves forward, other people will put proposals on the table. Let's let that play out.

SCHIEFFER: So right now, would you say that the president is open to other ways to do this if he could find it?

ORSZAG: I'm going to again say we think this is the best way of proceeding, but of course other people have ideas, and they should put them on the table.

SCHIEFFER: Congress has already approved an enormous stimulus package. But when the unemployment figures came out last week, unemployment is now at 8.1 million people. Some people began to say we may need yet another stimulus package, that this one may not be enough. Are you thinking of another stimulus package? Do you think it will be necessary?

ORSZAG: Well, look, we just within the first month in office, we got the Recovery Act in law enacted. We should give it some time to work. You are starting to see the money flow out to state governments, to unemployed workers, in tax relief. Let's give it some time to work. We face a very deep economic hole. It is going to take some time to work our way out of it. Let's give the Recovery Act its time.

SCHIEFFER: How much time do you think you'd need, Mr. Orszag? I mean, have you begun to see any impact yet, or when would we begin to see it?

ORSZAG: Well, again, the money just started to flow. So, you know, it will take weeks and months for it to start to have an impact. And we are facing a very deep and severe economic contraction.

SCHIEFFER: You know, every time the president proposes some sort of a rescue plan, it seems as if the stock market tanks. It goes down. It went down again this week when he started talking about, you know, this mortgage bailout plan. Why do you think that is?

ORSZAG: Well, I think fundamentally, the economy is weak. Job losses began in January of 2008. The stock market started declining October 2007. This has been, you know, eight years in the making, and again, it's going to take some time to work our way out of it.

SCHIEFFER: Brokers don't seem to have much confidence in what the president is doing. Why is that?

ORSZAG: Well, I don't know that I -- I guess I'm not sure I agree. I think, again, we're focused on getting the economy back on its feet, addressing our long-term deficit, and by the way, investing in what corporate leaders and others have long said is the key to our economic future -- a better education system, clean energy, and a more efficient health care system.

SCHIEFFER: The president said, last week, that we shouldn't worry too much about the loss in the stock market. He said it was, kind of, like watching political polls. Listen to this.

(BEGIN VIDEO CLIP)

OBAMA: You know, the stock market is, sort of, like a tracking poll in politics. It bobs up and down, day to day. And if you spend all your time worrying about that, then you're probably going to get the long-term strategy wrong.

(END VIDEO CLIP)

SCHIEFFER: So what about that?

Is this a good time for people to go invest in the stock market?

No broker seems to be telling people to do that.

ORSZAG: Well, I'm not going to give stock market advice. But, again, if we look at the underlying resilience of the economy and focus on getting the economy both back on its feet, in the short run, and then investing in the things that lead to economic performance, education, a better health care system, we will be doing our job.

SCHIEFFER: Lindsey Graham said, this morning, on "Meet the Press," that the president's budget is scary. He called it "a reckless exercise. It is scaring people."

Is your budget scary?

ORSZAG: Well, as Ronald Reagan once put it, there they go again. We've had eight years of one approach; it didn't work. We're offering a new approach.

Let's look at what the Republicans are putting on the table. The senior Republican on the House Budget Committee has put forward a plan that includes \$3 trillion in tax cuts for the wealthy and corporations, a Medicare program, when you turn 65, you'd be handed a check for 80 percent of the cost of health care and then you're on your own; and a Social Security plan in which your Social Security fund would be invested in the stock market.

I'm not making this stuff up. That is their alternative plan. I think they should come on this show, offer a detailed alternative to what we're talking about, and I'll let the American people evaluate the two ways forward.

SCHIEFFER: Well, they are on the show, because John Boehner is going to -- is sitting right there, and we're going to talk to him in just a minute.

The spending bill that is now before the Congress, to keep the government running for the rest of this year, includes \$7.7 billion in earmarks.

The president said he's going to go ahead and sign that. He doesn't like it, but he's going to do it. Republicans have managed to block it. So you've had to have a continuing resolution which keeps the government running but at last year's spending levels.

Is that what's going to happen here?

Will this whole spending bill just go by the by, and we'll end up the year with continuing resolutions holding spending to the levels of last year?

ORSZAG: I don't think so. And again, these bills were supposed to be done last September. They are, you know, already negotiated. They include important things like \$200 million to fight health care fraud; important investments in Pell grants.

They also contain a level of earmarks that, even though it's down significantly from the peak, down 75 percent from the peak under the Republicans, still too high.

But we're like a relief pitcher stepping into the ninth inning. And, you know, we can't just redo the whole game. Next month we're going to start the process on the fiscal year 2010 budget. That will be under our watch. And the game's going to be a lot different.

SCHIEFFER: John Boehner, who's about to follow you, here, says we need a spending freeze. Good or bad?

ORSZAG: Well, I think -- look, we're talking about changing the course, here. We need to -- unfortunately, we have underinvested in education and clean energy and in health care. We need to make those key investments, while also getting more efficiencies out of the rest of the government.

That's exactly what this budget does. It reduces the basic operations of government to the lowest levels, as a share of the economy.

SCHIEFFER: So you're against the spending freeze?

ORSZAG: I just don't think -- that's a blunt approach. We need to be investing more in some areas and then obtaining more efficiencies in others.

SCHIEFFER: All right. Mr. Orszag, thank you.

And we're going to get the other side of it, now, from John Boehner.

Well, what about that, John Boehner?

Why do you think that it's a good idea to just simply freeze spending?

BOEHNER: Well, because I think, if you look around the country, our economy is struggling. American families are tightening their belts. But they don't see government tightening its belt.

And I think that we can get through this year and lead by example and show the American people that the government can go on a diet as well.

SCHIEFFER: Well, you just heard what Mr. Orszag said. He said the Republicans keep saying no, but they really haven't come up with much of anything.

What's your response to that?

BOEHNER: Bob, we had a plan to stimulate the economy that cost half as much as the president's proposal and would have created twice as many jobs.

Under our plan, we would have created 104,000 additional jobs here in Ohio. And as we look at their budget, it's pretty clear that their budget spends too much. It taxes too much. And it borrows too much from our kids and grandkids.

It's time for government to go on this diet. It's time for government to tighten their belt and show the American people that we get it.

Because I don't think most Americans today -- when they look at Washington, they look at what in the world's going on over there? They want Washington to do the same thing they're doing.

SCHIEFFER: But don't you have to come up with something a little more specific?

SCHIEFFER: Some people say, look, it would be a lot better if you would make a few compromises here and try to work with the president to dig our way out of this hole that we all find ourselves in. And at the same time, they also point out that the president's popularity ratings keep going up while the Republican Party's ratings keep going down.

BOEHNER: Bob, listen, I want to work with the president on behalf of the American people. That's what they sent us to Washington to do. And while I like the president as much as the American people do -- I think he's a great guy -- there are serious differences in terms of the approach that he would like to take and the approach that I think many Republicans would like to take.

This week, we had the proposal on bailing out irresponsible homeowners. And what the president's plan does is ask the 90 percent of mortgage holders who are struggling to make their payments and make them on time, he's asking those 90 percent to bail out the other 8 or 10 percent who have acted irresponsibly.

That's not what the American people want. And so, when we have disagreements, I think it's our obligation to offer alternatives. And I just believe that when it comes to housing, we ought to have the

\$15,000 tax credit that was in the stimulus bill for all who would buy a home, because at the end of the day, that will help all homeowners in terms of increasing the value of their homes.

SCHIEFFER: There's no question that the White House is encouraging the idea that the person who really speaks for your party, the person who is the most influential amongst Republicans is Rush Limbaugh. What is your response to that, Mr. Boehner?

BOEHNER: Bob, this is a distraction that was created by the White House to divert people's attention from the spending binge they've been on over the last six weeks. And it's really unfortunate, because this distraction won't create one single new job in America, and it won't help one struggling family in America. What we really need to do is work together in a responsible way to address the needs of our economy and the needs of the American families and small businesses.

SCHIEFFER: Well, he certainly gets a lot of attention. Do you think Rush Limbaugh is the leader of your party?

BOEHNER: There are a lot of people who want to speak on behalf of our party. And over the course of the next few years, we'll see a lot of people emerge. Whether they be governors, members of Congress, those who may be on the outside who want to take a more active role in our party.

But at the end of the day, it's important for members of Congress and governors to speak up in terms of how our principles will lead to policies and proposals that will help the American people.

I said on the opening day when I gave Nancy Pelosi the gavel that we wouldn't just be the party of no. We had to disagree. We would be the party of better solutions. And you'll see us continue to put forward better solutions to the problems Americans face.

When you look at what's happened on Wall Street the last six weeks, the reason the market continues to go down is because many people on Wall Street don't think the policies the president is proposing will work. At the end of the day, I think we needed to do a stimulus bill, but I've got concerns this all it will do is grow the size of government and put a lot of debt on our kids, and really won't stimulate the economy. And I think Wall Street is saying the same thing.

SCHIEFFER: You know, last week, auditors said that General Motors' survival was in substantial doubt. Now, you're from Ohio. There are a lot of auto workers that are already out of work there. Do you think General Motors could survive bankruptcy?

BOEHNER: I don't think they could survive bankruptcy. Hopefully, they'll be able to come to an agreement with all of their stakeholders before they get to that point. You know, the stakeholders or the stockholders, the bond holders and the employees. And at the end of the day, all of them are going to have to come to an agreement to help this company survive. It's an important institution in our country. It impacts hundreds of thousands of jobs. But they have to do the serious work that they've avoided doing over the last 30 years if they're going to survive.

SCHIEFFER: They may be coming back to the government for even more money. Would you favor another infusion of federal money to General Motors?

BOEHNER: I don't think the government should put any more money there until General Motors shows that they can be a viable company for the long term, and that there's a reasonable chance that any loans that the government would make would be paid back to the taxpayers. Anything short of that is just throwing good money after bad.

SCHIEFFER: All right. Mr. Boehner, I want to thank you for joining us this morning.

And when we come back in just one minute, we'll have a little roundtable about all of this.

(COMMERCIAL BREAK)

SCHIEFFER: And back now with syndicated columnist Kathleen Parker and Michael Fletcher, who covers the White House for the Washington Post.

Well, we wound up that discussion with John Boehner talking about Rush Limbaugh, so let's continue the talk. Mr. Boehner didn't seem to want to touch that.

PARKER: Republicans have learned to keep their mouth shut when it comes to Rush. Otherwise, they might have to apologize to him. But the interesting thing about this is the whole idea that the White House would engage a talk radio host seems fairly unpresidential. I mean, George W. Bush wouldn't even acknowledge other heads of state. But here we are talking about a radio host.

Now there is a -- my first impulse when I heard about it was, oh, well, there goes the Fairness Doctrine. Having too much fun, who would want to bring it back? So there's a new little conspiracy theory floating out there that I'll just throw on the table, and that is that the White House is very strategically doing this, because then, once you designate Rush Limbaugh as the head of the Republican Party, then you can say, hey, wait a minute. The head of the Republican Party is on the radio every day speaking to 20 million people, more than even the president reaches. Therefore, we need the Fairness Doctrine. We'll see.

SCHIEFFER: The Fairness Doctrine, of course, is the law that we used to have that said if you put on one side, you have to put on the other.

PARKER: Right.

SCHIEFFER: Now, people would argue, of course, broadcasters argue there are so many places to express opinion on all sides that you don't need that anymore.

PARKER: Well, and the president has said -- the president has said he has no interest in that, but Democrats do want to get the Fairness Doctrine back in place, and Republicans do feel that. And they think -- now, this is a new theory, so I won't go too far with it, but there is some chatter that this is actually a deliberate attempt to sort of create this dynamic that now has to be addressed.

SCHIEFFER: One thing about it. The White House is not reluctant -- Mr. Boehner may be reluctant to talk about Rush Limbaugh, but the White House is not, as we saw all last week.

FLETCHER: Not at all. I think -- I think they found their Michael Moore, I mean, on the other side. Rush Limbaugh is kind of this polarizing figure, and I think the White House wants to put him out there as kind of the face of the Republican Party because of that. Even though he's very popular with the base of the Republican Party, I think people now, 28 percent of Americans self-identify as Republicans. So their growth is going to come with independents or bringing back the Reagan Democrats, and as long as Rush Limbaugh is the face of the Republican Party in the White House's view, they won't be able to do that.

SCHIEFFER: Michael, how do people at the White House feel about this idea that suddenly the opposition to the president's budget, a lot of it is coming from very influential Democrats, like Max Baucus, the chairman of the Senate Finance Committee, who says he doesn't see why you should reduce that deduction that upper-income people can take on charitable contributions, to finance health care. He said he doesn't see any connection between the two. Is that going to -- is the White House going to back off on that, do you think?

FLETCHER: They may. I mean, this is a big problem for the White House going forward. If they can't even keep their partisans on board, I mean, on a proposal like that, when you think about some of the ambitious plans laid out in the budget -- you get beyond that into this whole idea of taxing carbon emissions, and a lot of people say that will raise people's energy bills, and the White House acknowledges as much. And they say, well, people will be returned the money through the tax code. It gets to be a very complicated argument.

So if you can't keep people on board on something that, you know, the president talked during the campaign about, you know, the wealthy having to kick in more -- but if you can't keep Democrats on board, there has to be a concern to that.

SCHIEFFER: Where do you think this is going, Kathleen?

PARKER: Well, you know, I think, look, the president has come out with a budget that's got everything in it. Clearly, they expect to have to make some compromises along the way. But even if you get a percentage of huge, you still wind up with big. And so these are the sorts of things that they may be willing -- I think just listening to Mr. Orszag, there are intimations that these are the kinds of things that, well, we could talk about that. You know, so I think what we're looking at right now is not what we're going to end up with. There's a lot of room for new ideas.

SCHIEFFER: What about the -- it's interesting to me in that the president is more popular than ever, according to the latest polls. And yet you're seeing some, you know, question about his policies and "Is this budget a good idea?"

I mean, where do you think this is going to play out?

FLETCHER: I mean, I think a lot of anxiety, obviously, I mean spins off of the economic anxiety people feel.

I mean, they see the president doing all of these things, and even before he was in office, they saw the Bush administration shoveling all of this money into the financial system.

And many people say that TARP, the first half of the bailout, basically prevented an implosion. But people have not seen improvement.

So I think, as long as that overlays there; as long as you have the kind of numbers we saw last week, where unemployment continues to skyrocket; consumer spending continues to tank, I think you'll see this, kind of, air of anxiety.

I mean, I think people are hopeful that this stuff will work, but there's no evidence yet that it is working, I think, and people are worried about that.

PARKER: Well, they're worried, but polls also show that the people are much more patient with -- this is huge. And they understand it's complicated. And President Obama has been in place, what, six weeks.

And so while we in Washington are ready to, sort of, measure everything on a daily basis, I think, if you go out into the -- you know, out into the (inaudible) you find that people are much less likely to demand answers immediately.

Even President Obama said, look, the economy is not a speedboat. It's an ocean liner. You know, what we're trying to do is change the direction. And whatever changes we have will be gradual. It will be later down the road that we are in a different place. Of course, we're trying to not free-associate to the Titanic, but...

(LAUGHTER)

(CROSSTALK) SCHIEFFER: Well, I want to thank all of you, but I tell you, I'm reminded of what Russell Long, the former chairman of the Senate Finance Committee once said, that nobody likes taxes. He used to say people would tell him, "Don't tax him; don't tax me; tax that fellow behind the tree."

(LAUGHTER)

And that is more true with every passing day passes.

We'll be back -- thanks to both of you -- back in a moment with a final thought.

(COMMERCIAL BREAK)

SCHIEFFER: Finally today, there are more important things to worry about. But may we have just a moment of sympathy for the poor State Department employee who came up with the idea of the gag gift that Secretary of State Clinton presented to Russian Foreign Minister Lavrov in Moscow.

It was to be a play on Vice President Biden's remark that it was time to press the reset button on Russian-American relations. So Mrs. Clinton presented the foreign minister with a little box with a button on it and a sign that said "reset" in Russian -- or at least that's what the Americans thought it said.

SCHIEFFER: "I hope we got the right word," Mrs. Clinton beamed. "No, you got it wrong," the minister replied. "You got the word that means overcharged."

Oops. Oh, well, no real harm done, but I can't help wondering what happened to that hapless soul who caused the boss to lay an egg? If he or she was in Mrs. Clinton's traveling party, it must have been a long plane ride home.

If it is any consolation, I have seen a lot worse. I was standing on an airport runway in Warsaw when then-President Jimmy Carter told a Polish crowd he was looking forward to getting to know them. Surprisingly, the crowd let out a horrified "ugh!" And no wonder when we found out why. Somehow, the president's own translator mangled his words, and in Polish the message came out that Mr. Carter was eager to know the crowd in a Biblical sense.

These things happen.

Back in a moment.

(COMMERCIAL BREAK)

SCHIEFFER: And that's our broadcast. We'll be back here right at this very spot next Sunday on "Face the Nation."

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