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



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GUESTS: REPRESENTATIVE PAUL RYAN
R-Wisconsin; Chairman, House Budget Committee

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TRANSCRIPT

BOB SCHIEFFER: Today on FACE THE NATION, Republicans say cut taxes and replace Medicare with a new approach. Democrats say bring it on.

Wisconsin's Republican Congressman Paul Ryan is the architect of the Republican plan. Virginia Democratic Senator Mark Warner is part of a bipartisan group working on a different approach. We'll ask both if the two sides can find a way to get together. And, can they find agreement to raise the debt ceiling and keep America from defaulting on its debt, a development that could set off a worldwide financial crisis and hit every Americans' pocketbook.

It's all ahead on FACE THE NATION.

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

BOB SCHIEFFER: And good morning again. We begin with Congressman Ryan, who is back home in the City Of Parks, Janesville, Wisconsin. Congressman, thanks for joining us. Here's a little news. Senate-- Treasury Secretary Tim Geithner told Meet the Press this morning that Republican leaders have privately told the President they will not stand in the way of raising the debt ceiling. That of course, the debt ceiling is, if-- if you don't raise it, the government would have to go into default on its financial obligations. Have-- have your leaders told you that they have told the President that?

REPRESENTATIVE PAUL RYAN (R-Wisconsin/Chairman, Budget Committee): No, they haven't. But what they have also told me they've told the President is that in addition to raising the debt limit we want financial controls. We want cuts in spending accompanying a raising of the debt ceiling. And that is what I believe they've told the President.

BOB SCHIEFFER: Well, the way the Treasury secretary is telling it this morning, they have just assured the President they would not play around with the country's--

REPRESENTATIVE PAUL RYAN (overlapping): I don't--

BOB SCHIEFFER: --credit rating.

REPRESENTATIVE PAUL RYAN: Nobody wants to play around with the country's credit rating. Nobody wants to see defaults happening but we also think it's important to get a handle on future borrowing as we deal with raising the debt limit. So nobody is saying we want to see default. We just want to get some cuts and controls in spending going forward. And that is what we've been telling the White House.

BOB SCHIEFFER: So-- then what you're saying is there's no news here that-- that-- what they said--

REPRESENTATIVE PAUL RYAN (overlapping): No news-- no news as far as I know.

BOB SCHIEFFER (overlapping): -- is what they've been saying publicly. You're confident of that.

REPRESENTATIVE PAUL RYAN (overlapping): That's right. That's right.

BOB SCHIEFFER (overlapping): You're confident of that?

REPRESENTATIVE PAUL RYAN: I am confident of that. I am confident of that. I told Tim Geithner that myself.

BOB SCHIEFFER: Okay. Congressman, you heard the President's speech. You didn't like it very much and said so. But then the President was out talking to some campaign contributors out in Chicago and it turns out the conversation was recorded and about your plan and about you, he was using words he basically said you were irresponsible. I want you to hear what he said.

PRESIDENT BARAK OBAMA (Chicago Fundraiser, April 14; recording): So when-- and when Paul Ryan says his priority is to make sure that we're, you know-- he's just being America's accountant and, you know trying to, you know, be responsible. I mean this is the same guy who voted for two wars that were unpaid for, voted for the Bush tax cuts that were unpaid for, voted for the prescription drug bill that cost as much as my health care bill but wasn't paid for. So it's not on the level.

BOB SCHIEFFER: So what about that, congressman?

REPRESENTATIVE PAUL RYAN: Look, I could go point by point on all of those things but I don't see how productive it would be to get into a partisan bickering match with the President. I'm just not going to do that because we've got things to do. And, the way I look at things, Bob, is we have divided government right now. We have work to do, problems to solve. In a divided government I think it helps if we treat each other with respect. There's plenty of time for campaigning. Look, the President doesn't have a primary opponent. He doesn't even have an announced Republican opponent yet. There is plenty of time for him to do campaigning later. Right now, we got things to do, we got problems to solve. And so I think it would just be more productive if we put the campaign rhetoric aside and get on to focusing on treating each other with respect. And look, both parties have done this to each other. I'm not saying, you know, only one party does this. But I think the tone gets set at the top. And I think it would be more productive if the tone set at the top was one more of mutual respect, one more of getting things done and coming together to solve problems.

BOB SCHIEFFER: Well, you know, that is a little bit different than what you told-- told Charlie Rose right after the President's speech. You said, "I guess we're going to have to do this without the President. We're not getting any leadership from him." You seem to be saying--

REPRESENTATIVE PAUL RYAN (overlapping): Well--

BOB SCHIEFFER: --then that that you weren't even willing to sit down with him. Are you now willing to sit down with the other side?

REPRESENTATIVE PAUL RYAN: Oh, of course, I am. I wasn't saying-- I was not saying we aren't willing-- we'd never been invited to sit down with him. What I was talking about time wise, he appointed a Fiscal Commission last year to-- to come up with solutions. They came up with solutions. He disavowed their solutions. And now he's coming up with yet another commission to come up with solutions. My point is we need to lead and we shouldn't be delegating these tough decisions to other people to make. We've got to make tough decisions to save our

country from a debt crisis, to get this economy growing and to pay off our debts, so our children get a debt-free nation. That's what we're doing. We're putting actual ideas on the table to fix these problems. We're not asking other people to do it. And so my point is if-- if our leaders are not actually leading, that doesn't get things done. And so, we're going to lead. We're putting ideas out there. And we're not kicking it to other people to make decisions like other commissions. And that's the point I was making when I was talking to Charlie Rose.

BOB SCHIEFFER: You know, you-- you have two very different approaches that are now out there. The President wants to raise--

REPRESENTATIVE PAUL RYAN: Hm.

BOB SCHIEFFER: --taxes on the wealthiest Americans. He wants to keep Medicare in place. The big part of the savings in your plan is to do away with Medicare, replace it with private insurance that would be subsidized by the government, and you actually want to lower taxes on the wealthy, even lower than the Bush tax cuts which were enacted during the Bush administration. I-- I guess the question I would have, congressman, why do these rich people need another tax cut? I mean they're already rich. They seem to be doing pretty well as it is now. Why cut their taxes some more?

REPRESENTATIVE PAUL RYAN: So first of all, we're not talking about cutting taxes. We're just not agreeing with the President's tax increases. I guess that's the new definition of tax cuts. We're saying keep tax rates where they are right now. And get rid of all those loopholes and deductions, which by the way are mostly enjoyed by wealthy people so you can lower tax rates. We're basically taking a page out of the play book of the Fiscal Commission, the President's Fiscal Commission supported by a majority of Democrats said the same thing--broaden the tax base lower the tax rates for economic growth, a simpler, flatter fair tax code more internationally competitive so we can create jobs. That's what we're proposing. This isn't tax cuts. It's tax reform targeting our revenues at where they are right now. We're just signing on to all the tax increases that the President is proposing. And Medicare, let me just tell you, no change would occur to anybody fifty-five years of age or above. The problem is Medicare goes bankrupt in nine years. Unless we do something to save it, it won't be there for future generations like my generation. And the ideas we're talking about for reforming Medicare is a system that works just like the one that I have as a member of Congress, that federal employees have. It works like the prescription drug benefit works now for seniors, which has proven to lower costs and expand choices. And also it's an idea that has come from both parties in the past. It has-- traditionally had bipartisan support in the past. And I would simply say the President had one idea he gave us on Wednesday, which is have this board of fifteen people that he appoints ration and price control Medicare for current seniors. So we just don't think government rationing on Medicare is the answer. We think we should keep the promise to current seniors and people ten years away from retiring, but then reform the system for the next generation, so that it's safe and solvent for current seniors and for future generations because Medicare is going bankrupt.

BOB SCHIEFFER: All right, let-- let me go back to what you said there at the top. You say you're not for cutting taxes. But am I misinformed? I thought you were talking about lowering that rate for the top--

REPRESENTATIVE PAUL RYAN (overlapping): In exchange for deductions.

BOB SCHIEFFER: --income taxpayers back to about twenty-five percent, so isn't that a tax cut?

REPRESENTATIVE PAUL RYAN (overlapping): That's right. In ex-- in exchange for losing your deductions, so in exchange for losing the loopholes and deductions that mostly higher income earners use, so what we're saying is keep tax revenues where they are, don't lower tax revenues but clean up the tax code so that it works. If you have really high tax rates what you end up doing is you penalize small businesses. You have to remember, Bob, most successful small businesses file their taxes as individuals. Most of our jobs come from these small businesses. The President is proposing to raise the top tax rate on these small businesses to 44.8 percent. We don't think that's good for jobs. We don't think that's good for economic growth. And when we tax our employers a whole lot more than our foreign competitors tax theirs, we lose, they win and we don't want that. So just like the Fiscal Commission, the bipartisan Fiscal Commission said, lower tax rates, broaden the tax base for economic growth and that's exactly what we're proposing.

BOB SCHIEFFER: I-- I guess the part that I don't quite understand and I take your proposal to be a serious one but the part I don't understand is.

REPRESENTATIVE PAUL RYAN (overlapping): Thank you.

BOB SCHIEFFER: If the country is going bankrupt, if the country needs to borrow forty cents of every dollar that it spends, how do you help that by reducing the amount of taxes that the richest people in the country pay? It would be seem to be that's where you get revenue. How do-- how do you-- how do you justify?

REPRESENTATIVE PAUL RYAN: Two things. Two things, number one, we don't have a tax problem. Our revenues are going back to where they have been historically. We have a big spending problem. Spending is growing at a very unsustainable rate. So let's focus on spending. The other thing I would simply say is massive tax increases. The President's proposing 1.5 trillion in tax increases. The Democrats in Congress are proposing anywhere from two to sixteen trillion dollars in tax increases based on the three budgets they brought to the floor the other day. We don't want to slow down the economy. Here's the-- here's what we're trying to get, spending cuts and controls to get spending under control because that's the problem and economic growth and job creation. We don't want to give up one to get the other. Raising tax rates on anybody, especially successful small businesses slows down the economy, loses jobs and if you have lower economic growth, you have less revenues and it puts you further behind. We want more tax revenues but we want to get it by expanding job creation, by expanding economic growth so the secret to success here is economic growth and job creation through tax reform, not tax cuts, tax reform at the same levels get better economic growth which we get more revenues and also focus on the problem. The problem is spending. The problem is how much we've been spending and how we spend and we have to reform those. And that's what we really want to be focusing on here.

BOB SCHIEFFER: Let-- let-- let me go back to the debt ceiling and-- and that question which we talked about at-- at the very top here. You're saying that they're going to have to be some spending cuts, agreed to.

REPRESENTATIVE PAUL RYAN (overlapping): That's right. And control.

BOB SCHIEFFER: And controls before Republicans will be willing to vote to raise the debt limit. Tell me specifically what those-- what those conditions would be? What do you want before you're willing to do that?

REPRESENTATIVE PAUL RYAN: Well, we don't really see this as before. We see this in conjunction with. So we're not really interested in negotiating through the media. There are many different ways of putting caps on spending. The budget we propose has three different kinds of caps on spending, caps on what we call discretionary spending and law, those have worked. Republicans turned them off in the 1990s. They were successful. We should go back down that path again. Global caps on total government spending. There's deficit caps, a debt caps, there's lots of different ways of controlling spending. And we also think we need to lock in the gains that were achieved in the continuing resolution and get some spending cuts there and carry those savings on into the future.

BOB SCHIEFFER: Okay.

REPRESENTATIVE PAUL RYAN: So we can actually save money.

BOB SCHIEFFER (overlapping): All right.

REPRESENTATIVE PAUL RYAN: So what we're saying here is spending cuts and controls in conjunction with raising the debt limit.

BOB SCHIEFFER (overlapping): All right.

REPRESENTATIVE PAUL RYAN: That's what we've been saying all along.

BOB SCHIEFFER: All right. Well, let me just ask you this then, if you do not get those agreements, Mister Geithner said this morning, he thought May 16th would be the time when-- when we run out and we'll have to do this or start defaulting on the T-bills. What, if you don't get the agreement you're talking about, let's say, before May 16th, then what do you do?

REPRESENTATIVE PAUL RYAN: Well, he's also said it's beyond May 16th. I don't think May 16th is a hard deadline.

BOB SCHIEFFER (overlapping): Well that's the--

REPRESENTATIVE PAUL RYAN (overlapping): And we still don't even know what the--

BOB SCHIEFFER (overlapping): --that's the date he was talking about this morning.

REPRESENTATIVE PAUL RYAN: He-- there are things Treasury can do to-- to get more time, but I sort of reject the premise of the question which is we should just ignore the spending problem and just keep raising debt. Look, we shouldn't ignore the spending problem. It is why we have this debt problem in the first place. So we need to work together to get spending under control while we deal with this debt. The reason the debt ceiling is being hit is because spending has been going on unchecked in the past. We want to make sure that we deal with this in the future. And so, I don't accept the premise that we just can't get spending under control around Washington.

BOB SCHIEFFER (overlapping): Okay.

REPRESENTATIVE PAUL RYAN (overlapping): That's true and we're going to have a debt crisis.

BOB SCHIEFFER (overlapping): What do you accept-- do you accept this that you won't answer the question about what you're going to do if you don't get those agreements before May the 16th, you won't say whether--

REPRESENTATIVE PAUL RYAN (overlapping): Well, I don't--

BOB SCHIEFFER (overlapping): --or not you're going to vote on a bill just to raise the debt limit.

REPRESENTATIVE PAUL RYAN: No. I-- I-- we will. I do not-- no, we won't raise to. It's just simply raise the debt limit. We will vote to have spending cuts and controls in conjunction with the debt limit increase. I don't see May 16th as a hard-fast deadline. I think, Tim Geithner will probably agree with that. He and I talk about this. But the key is, we shouldn't just accept the premise that we--

BOB SCHIEFFER: Okay.

REPRESENTATIVE PAUL RYAN: --just have to rubber stamp a debt increase without any spending controls. I just don't agree with that and I think a lot of Democrats agree with me on this.

BOB SCHIEFFER: All right. Well, Congressman, thank you so much for being with us this morning. We hope you'll come back--

REPRESENTATIVE PAUL RYAN (overlapping): Thank you, Bob.

BOB SCHIEFFER: --to see us.

We'll be back in one minute with Virginia-- Senator Mark Warner.

(ANNOUNCEMENTS)

BOB SCHIEFFER: And we're back now with Virginia Senator Mark Warner who is part of what they call the Gang of Six. This is a group, a bipartisan group--three Republicans, three Democrats, who have been working behind the scenes for about four months now to try to come up with some sort of compromise that can get through both the Senate and the House. Let me just start with the-- raising the debt ceiling. You just heard what Congressman Ryan said. What is your reaction to that?

SENATOR MARK WARNER (D-Virginia): Well, Bob, I think it's dangerous to kind of roll the dice on the debt limit. I mean, frankly, unlike the government shutdown which I've got to tell you I was embarrassed for the Congress and for the country that we allowed us to get to that eleventh hour with the back-and-forth tit for tat. We can't do that with the debt limit. You get close to that debt limit and you could actually scare the bond markets. They could end up raising interest rates which would dramatically cut back on the recovery not just in terms of the government spend but somebody going out trying to get a loan, trying to close on a house, a company trying to hire a new employee. This is literally, potentially, lighting the match that could burn down the house. So I hope our colleagues on both sides will go ahead and raise the debt limit. Some I know, Congressman Ryan and others have said that we need some level of down payment on spending cuts. We're looking and trying to include that in our bipartisan approach. And if there's one thing we've seen particularly looking at the government shutdown proposal is if both political parties start at either end of the spectrum and fight, the only people who really

lose in that are the American people. We're saying on this big issue of debt and deficit we need to start out of the center, start with a bipartisan plan and build out.

BOB SCHIEFFER: Well, what I thought was interesting about what Congressman Ryan said this morning-- because Treasury Secretary Geithner was on two television shows this morning and said flatly that Republican leaders had assured the President behind closed doors that they would vote to raise the debt limit ceiling. And yet, Mister Ryan, who is a key player over there in the House, said no way, no how. And he said nobody had told him that. And I find it hard to believe that they might have said that and-- and not tell Congressman Ryan.

SENATOR MARK WARNER: Well, it's hard to imagine anybody that responsibly understands the consequences of dealing or failing to-- to raise the debt limit particularly with the uncertainty in Europe in terms of the sovereign debt crisis going on tho-- in countries like Ireland and Greece and now Portugal with the uncertainty in the Middle East. The idea that we would-- you know, in fact, roll the dice with the world economy by-- by getting into this brinkmanship, I think would be beyond the pale. Now there clearly are members, particularly a number of the new members in the House who've said they will draw the line and not raise the debt limit. My only hope is that saner and cooler heads would prevail.

BOB SCHIEFFER: Let's talk about your group. You've been meeting now for--

SENATOR MARK WARNER: Right.

BOB SCHIEFFER: --for months. Are you anywhere close to having something that you think is a-- is a solid plan that could be taken seriously in both Houses?

SENATOR MARK WARNER: Well, Bob, we're very close. I mean, I give Congressman Ryan credit for a-- a serious plan, but I think what you saw, what you've seen in the reaction to Congressman Ryan's plan is he basically says no new revenues of any kind. He says defense spending is walled off. That means the only place that he can go to get the-- his deficit reduction is really this massive transfer of more responsibility on to our seniors in terms of paying for health care. Now that's one approach. It's not an approach I think that the vast majority of Americans would want. What we're doing is we're saying everything has to be on the table entitlement reform, dramatic spending cuts. Looking at tax reform, yes, the way he talked about lowering rates, excluding and getting rid of some of the tax expenditures. But we'll-- we'll actually raise some additional revenues. And I think if we start with a bipartisan plan I think there's a whole host of folks in both parties that want to be for something, that's something that would actually start as a bipartisan effort. And I think the importance of what we're doing is not only to take on the issue of debt and deficit but I think to once again demonstrate that actually Congress can work.

BOB SCHIEFFER: Oh, senator, you are a Democrat. You are a conservative Democrat from a very conservative state, Virginia. Do you think that we can solve the do-- the deficit problem without raising taxes in some way?

SENATOR MARK WARNER: Bob, I think you've got to look at both sides of the ledger. Long before I was in politics I spent twenty years in business. I built companies. And you've got to look, the revenue side, you got to look at the spend side. We're looking at a ratio of about three dollars in cuts for every additional dollar in revenues. And the revenues we're talking about literally are coming from lower rates where we can lower our rates on individual and on corporate rates, back to where they're much more competitive on a worldwide basis. But we're

getting rid of a number of the tax expenditures. I mean, a fact that I'm not sure most Americans realize. We collect about one trillion dollars a year in income taxes, yet we have 1.2 trillion dollars a year in income tax expenditures, deductions many of them that are popular--charitable deduction, home mortgage deduction. If we would cut back on some of those, we could actually lower rates and still increase revenues.

BOB SCHIEFFER: So that's where you would get the additional revenues by eliminating deductions not necessarily by--

SENATOR MARK WARNER (overlapping): We--

BOB SCHIEFFER: --raising taxes.

SENATOR MARK WARNER: --we're not talking about raising taxes. We're--

BOB SCHIEFFER (overlapping): What about the-- Congressman Ryan's plan of course to, you know, he not only wants to keep the Bush tax cuts in place but he does talk about-- he says it's not a tax cut. He talks about reducing the rates. Will that fly?

SENATOR MARK WARNER: Well, Bob, I guess, we ought to disagree-- be able to disagree about our solutions but we shouldn't be able to disagree about the facts. The facts are right now we are spending at an all-time high, close to twenty-five percent of our GDP being spent on the federal government. But our revenues are at an almost all-time low at about fifteen percent. You know, it doesn't take a math wizard to figure out that delta can't be sustained, so we need both a way to have the tax code generate more revenues. We need to bring spending down. And we have to do it in a way that still protects certain investments where we can grow our economy. One of the things that Congressman Ryan's plan did, it cut back about twenty-five percent of our investments in education. It cut back about seventy percent of our investments in alternative energy and with gas approaching four dollars a gallon, I'm not sure if that's in the best interest of a long-term economic growth. We've got to have all three legs of the stool. We've got to have a tax code that's more efficient. We've got to cut back on spending but we still got to have an economy that is going to grow.

BOB SCHIEFFER: Do you think that President Obama's speech help or hurt the effort to get a bipartisan solution? I know it caught your-- the folks working with you a little bit by surprise. But was it a help or--

SENATOR MARK WARNER (overlapping): Well, listen--

BOB SCHIEFFER: --did it hurt?

SENATOR MARK WARNER: --I think the President laid out his vision and in real stark contrast to where Congressman Ryan laid out his vision. And I think what we've got now is we've got two competing visions. What I hope is that this doesn't devolve into just the Democrats versus the Republicans again. We saw what happens when that had-- takes place when we got to the eleventh hour on the government shutdown and most Americans kind of scratched their heads and said why can't these guys get their job done? What we're trying to do with a bipartisan group is say let's actually start with something that takes a lot of the ideas from the Simpson-Bowles commission, puts everything on the table. And let me assure you, we're going to make everybody mad with our approach--Democrats, Republicans, independents because we're touching every part of the problem. All the entitlement programs looking at how you make Social

Security more sustainable and we're going to lay this out. And our hope and prayer is that then the people of goodwill from both parties will basically check their Democrat hat and check the Republican hat and say let's take this on because my belief is this debt and deficit crisis is our single biggest national security issue.

BOB SCHIEFFER: And I did hear you say, you're going to have to reform Social Security to do it.

SENATOR MARK WARNER: You know, it's-- part of this is just math--sixteen workers for everyone retiree fifty years ago, three workers for every retiree now.

BOB SCHIEFFER: All right. Thank you very much, senator.

Back with some final thoughts in just a second.

(ANNOUNCEMENTS)

BOB SCHIEFFER: Finally today, before we get too far in the new debate on spending, just a word about last week's news, the so-called historic compromise that prevented a government shutdown and cut an astounding thirty-eight billion dollars from this year's budget. Whether or not you thought the cuts came in the right programs. That's a big deal. Thirty-eight billion dollars is a lot of money, or is it? Well, thanks to the Congressional Budget Office and some great reporting by the Washington Post, it turns out the government won't be cutting thirty-eight billion dollars in one year after all. No, the real cuts will be more like three hundred fifty-two million. You heard me right, three hundred fifty-two million, not thirty-eight billion. The rest mostly smoke, mirrors, and accounting gimmicks. Example, when projects like the Capitol Visitors' Center came in under budget, it was supposed to cost six hundred twenty-one million and actually cost less than six hundred, auditors called the unspent leftover money a spending cut. The Washington Post found that in ninety-eight cases where the government had allotted money to federal agencies that was never spent, in each case, it was called a spending cut. On big-ticket items like aircraft carriers, whose full cost won't come due for five or six years, the entire cost was deducted as a cut in this year's budget. We bemoan the fact that government can't break its spending habits, can't do what it needs to do. But what I find more disappointing, is appalling too strong a word, is that try as they might, neither side can seem to find a way to tell the truth.

Back in a minute.

(ANNOUNCEMENTS)

BOB SCHIEFFER: And we'll see you next week on FACE THE NATION.