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



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TRANSCRIPT

BOB SCHIEFFER: Today on FACE THE NATION, is the recession over? And is the administration considering a big troop increase in Afghanistan?

There are signs recession may be bottoming out, but what about the jobs that have been lost? Will they ever come back? We will talk about it with the President's chief economic advisor, Larry Summers.

And what about those reports that military commanders want a huge troop increase in Afghanistan?

We will get the latest on that and the other news of the week from our A-team roundtable--The Washington Post Bob Woodward, who made a recent visit to Afghanistan, David Brooks of The New York Times, and syndicated columnist Kathleen Parker. I will have a final word on how to know if you are becoming a senior citizen.

But first, has the recession come to an end, 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: And we begin this morning with Larry Summers. Mister Summers, thank you for joining us.

In an ABC interview recorded yesterday, Treasury Secretary Geithner told George Stephanopoulos the smaller federal deficit is vital to sustaining an economic recovery. He said doing that is going to require what he called hard choices. He was asked directly whether he would rule out new taxes and he said the country must understand the administration will do, in his words, "what is necessary." Was he laying the groundwork here for a new round of taxes?

LAWRENCE SUMMERS (Director, National Economic Council): No, not at all. He was explaining what's been the President's policy. The President recognizes that his first job was to rescue the economy, that what he inherited was an economy with a trillion-dollar-plus deficit and an economy that was in freefall and people talking about depression. And he had to change that. And I think we have and the statistics we have seen confirm that. People aren't talking about whether the recession is going to turn into a depression; they are talking about when it's going to end.

BOB SCHIEFFER (overlapping): Well, did you--

LAWRENCE SUMMERS: And that's a real accomplish-- that's a real accomplishment for these policies. But we also recognized--and this is something the President's also talked about--that in addition to rescuing the economy we have to rebuild it on a much stronger foundation so we don't have the kind of problems that brought this acc-- expansion to an end that led to the mess we have suffered for the last two years. And crucial to that is getting the federal deficit under control. And that's going to involve difficult--

BOB SCHIEFFER (overlapping): Well, how are you going to get it under control?

LAWRENCE SUMMERS: --difficult and challenging steps. Look, the first and most important thing for getting the federal deficit under control is substantial reform of the health care system and that's why the President's started there. He has done something that actually is new. If you look at when Medicare was put in, if you look at the George Bush's prescription drug benefit, if you look at the Iraq war, if you look at the tax cuts, if you look at the Reagan tax cuts, we've done major things in this country without paying for them.

No one is arguing with the President's central premise, and it's an important leadership of the President, that anything we do in health care is going to be paid for itself as judged by the nonpartisan independent scorekeepers.

BOB SCHIEFFER (overlapping): Well, let me--

LAWRENCE SUMMERS: But the President's actually going to go further than that, because he is also insisting that we enact a set of measures that are not the kind that you can really do a bean count on and score precisely, but which we know will have effects over time, things like encouraging preventive medicine--

BOB SCHIEFFER (overlapping): Let me--

LAWRENCE SUMMERS: --things like encouraging cost-effectiveness research. So health care is the first sort of ground zero of our efforts to contain the deficit.

BOB SCHIEFFER (overlapping): I'm going to ask you about that in just a second, but let me just go back to this just to make sure. You don't see another round of tax increases coming?

LAWRENCE SUMMERS: Tax increases. Look, let-- let's understand where we have been. Let's understand that the President put in place, as part of the stimulus bill, as part of the economic recovery act, a measure he had campaigned on, the making work pay tax act that's reducing taxes by eight hundred dollars for working-- for working families. That's where the-- that's where the focus is. We are going to keep working to strengthen the foundation--

BOB SCHIEFFER (overlapping): No-- no tax increases for middle-income Americans?

LAWRENCE SUMMERS: --foundation of this economy. There's a lot-- oh, there's a lot that can happen over time. But the priority right now, and so it's never a good idea to absolutely rule things-- rule things out no matter what.

BOB SCHIEFFER: Okay.

LAWRENCE SUMMERS: But what the President has been completely clear on is that he is not going to pursue any of his priorities--not health care, not energy, nothing in ways that are primarily burdening middle-class families. That is something that's not going to happen.

BOB SCHIEFFER: All right. The recession--is it over? I mean this cover of Newsweek magazine; it says "The recession is over." But there's a little asterisk that said "Good luck surviving the recovery." Is the recession over? Has it bottomed out, Mister Summers?

LAWRENCE SUMMERS: Most-- most forecasters are now looking at growth and output in the GDP over the second half of this year. They are looking for it because they see that inventories are way down and business is going to build them up because they see some increase in car and housing sales, because they know that the recovery act is going to gain force. But they also recognize, as we do, that it's going to take time before gains in output--you will never get gains in employment without gains in output. But even as output increases it's going to take time before the number of jobs starts-- starts to grow. So--

BOB SCHIEFFER (overlapping): But--

LAWRENCE SUMMERS: --we can't be satisfied with where we are and the economy is not going to be back to normal for quite sometime. Our problems weren't made in a month or a year and they are not going to be fixed in a month or a year.

BOB SCHIEFFER (overlapping): But do you-- do you--

LAWRENCE SUMMERS: But I come back to this--we used to be-- six months ago when the President took office we were talking about whether recession would become depression.

BOB SCHIEFFER: Mm-Hm.

LAWRENCE SUMMERS: Today, we are talking about when recession is going to end. That is a tribute to the strength of the policies that have been put in place and the expectation that they're going to have growing impact.

BOB SCHIEFFER: So, does that mean it's bottomed out?

LAWRENCE SUMMERS: Out? You know, you-- you-- you want to reduce these things to things that are very simple. Output is likely to start increasing. The number of jobs probably has not yet bottomed out because experience suggests that it lags.

BOB SCHIEFFER (overlapping): Well, that's always the lagging indicator.

LAWRENCE SUMMERS: But we're certainly closer-- but we're certainly much closer to the point where it bottoms out than we were.

BOB SCHIEFFER: Okay.

LAWRENCE SUMMERS: And the crucial, necessary condition for getting jobs growing and expectation that output will grow.

BOB SCHIEFFER (overlapping): Are you going to have to extend the employment benefits?

LAWRENCE SUMMERS: We're going to-- we did extend unemployment benefits---

BOB SCHIEFFER (overlapping): Or you going to have to extend them again?

LAWRENCE SUMMERS: --in a way that was hugely important in the-- in the stimulus act and we're going to work with Congress to make sure that the unemployment insurance benefits that are necessary for the American people are maintained.

BOB SCHIEFFER: Okay.

The stimulus package. A lot of people say it hasn't had much impact lately. I know you make the case that-- that it has made an impact. But do you think it is going to take one more stimulus package to get this economy going? I mean to really get it coming back?

LAWRENCE SUMMERS: I think the-- I think the stimulus has had a significant impact. You know, tens of thousands of teachers and cops across the country. Fifty-three billion dollars delivered to American families, three thousand projects underway. That-- the calculation suggests that its impact is only going to increase. That we are also seeing two hundred mortgages have already been relieved. It's going to be five hundred thousand by November 1st.

So I think we are on the right track. We have got a lot left to execute. That's where our focus is going to be and we think it's going to have a gathering-- a gathering impact that builds on the impact it's already had.

BOB SCHIEFFER: But do you think you might have to boost it a little more? I mean, maybe some tax cuts for small businesses or other things of that nature?

LAWRENCE SUMMERS: Right now we are focused on carrying through and executing the program we have-- we've put in place. We-- we just took a small but significant step in the last couple of days, Bob, the so-called Cash for Clunkers--

BOB SCHIEFFER (overlapping): Yep.

LAWRENCE SUMMERS: --program has actually been far more successful than people expected, both in terms of the number of car sales it's generated and I should say in terms of the environmental benefit. The new cars people are buying are much more fuel efficient, a thousand dollars a year more fuel efficient than the cars they're-- than the cars they're trading in. Congress has just-- the House--

BOB SCHIEFFER (overlapping): Okay.

LAWRENCE SUMMERS: --has voted to increase the funding. So there are adjustments of that kind, but basically we are on the right track and we need to keep going on this strategy. And really the priority is going to shift to giving long run confidence. And that's why the health-care bill that will give long runs greater confidence that the federal budget is under control, that employer's costs are under control. That's going to be really a crucial priority in the fall.

BOB SCHIEFFER: All right. We have to let it go there. Thank you so much for being with us, Mister Summers.

LAWRENCE SUMMERS: Thank you.

BOB SCHIEFFER: Back with our roundtable in just one minute.

(ANNOUNCEMENTS)

BOB SCHIEFFER: And back now with our power round table, Bob Woodward of The Washington Post, syndicated columnist Kathleen Parker, and David Brooks of The New York Times.

Well, Bob, your newspaper put on the front page this week what everybody has kind of been talking about in the corridors here and that is things are not going very well in Afghanistan and it looks like the commanders there are getting ready to ask for a substantial re-- increase in American forces there.

Now you were there this summer. How's it going and what do you think the chances are that we might put more troops in there?

BOB WOODWARD (The Washington Post): I mean the chances are always there. General Jones who's the Obama national security advisor, who speaks for the President, went and told the commanders in Afghanistan, let's ad-- address the strategy we have now of fixing the economy, building security, addressing the governing questions before we start asking for more troops. What's interesting, there's evidence now that the military is getting the message.

They built a war-fighting headquarters for General Rodriguez who is General McChrystal's deputy there and added hundreds of people. And it-- normally it's an automatic give us more staff. They actually took the new staff, hundreds of people, some from Europe, some from Afghanistan without asking for more.

So, the Obama message is no-- you know, we-- let's see if we can fix it with or proceed with the strategy we've got. That doesn't mean no more troops in the future at some point, but it's a big focus and it's-- it's significant that the military has acted that way so far.

BOB SCHIEFFER: But, you came back and reported that the White House General Jones told the commanders there we're not going to give you any more troops right now. But now we're getting these reports that the General's advisors and the General himself is actually considering, one source told me

doubling the U.S. forces in Afghanistan. Now, I think Congress is going to be very dubious of something like that and-- and as you reported I think the White House will be dubious of that?

BOB WOODWARD: Sure. I think the-- I mean the-- the President-- this is now Obama's war and he said, okay, I'm giving you twenty-one thousand more troops and let's-- and-- and they told him, Bob Gates, the Defense Secretary told him, he said I hope I don't have to ask for more.

So, you know, we all live in a world of limited resources, no one knows that better than those of us in the newspaper and broadcast business. And the military realizes that too, and Gates in particular realizes, you double the force, and-- and where do you get it? And then all of a sudden, we look like an occupier in Afghanistan rather than somebody there to help.

BOB SCHIEFFER: Well, you were there earlier—

DAVID BROOKS (overlapping): Right.

BOB SCHIEFFER: --David, what do you think is going on there? It-- it does not appear to be going very well.

DAVID BROOKS (The New York Times): But we knew this would happen. I was there when they were formulating the policy. And they knew at the time that this summer would be awful as we sent marines and other troops into Helmand and the other provinces. We knew this would be bloody and it has been a bloody month and the next month would probably be a more bloody month. But they knew it un— with the awareness that this would be a five-year project. And a sort of flake out now I think would just be a disaster and would hurt the credibility of the President. And it's the-- you know, it's too soon to tell whether it's working or not.

The second thing to be said and this I do fault the ad-- administration on was that there was a tension between the policy they sold and the policy they enacted. The policy they enacted is a pretty intense nation building policy, village by village, street by street, with policemen, with agriculture reform, pretty intense; but they sold it as sort of a light footprint policy that we're actually not doing nation building.

Well, they got to get one of those two things in line, either we're going to do nation building which is what the policy is or we're-- we're not and. And if they're going to do really nation-- nation building they may require more troops. And whatever-- I think the lesson in Iraq to me is, make it work, where-- whatever the troop levels are.

BOB SCHIEFFER: Do you think Kathleen that the American people understand the need to-- to whatever it is we're trying to do in Afghanistan?

KATHLEEN PARKER (Syndicated Columnist): Whatever we're trying to do. Well, I think they understand that you can't just go in and-- and make a mess and then walk out. And always Afghanistan was the acceptable war. Even those who opposed Iraq including President Obama felt the war in Afghanistan was the good war.

But we have other problems there on the ground which includes the fact that we are losing the hearts and mind of the people. We have too many civilian casualties that are interfering, you know, in-- and sort of the-- in the southern areas, and our-- the border Pakistan we have a problem with, you know, Pakistan is not helping us monitor that border. The Taliban can come and go at-- at ease, that's where the poppy fields are. There're all sorts of complex issues on the ground that-- that are going to take some very-- very tough applications of-- of new thinking. And I think the American people are going to have to understand that before they will tolerate more troops.

BOB SCHIEFFER: Well, I-- I brought up this first because I just think there's a big policy fight coming and there's some really hard decisions that are going to have to be made, and we better start thinking about

that. I mean, obviously, the economy, health care and all of that is very important, but all of this seems to be happening kind of while the focus is on so many other things.

BOB WOODWARD: Yes. And the President Obama has made it pretty clear he wants a visible, sustainable progress in Afghanistan within twelve months or eighteen months. And, you know, what-- how do you measure that? They're talking about coming up with benchmarks like they did in Iraq. We still haven't seen them. Congress hasn't seen them. How do you go into this complex war, more complex in many ways than Iraq, because this is a poor country where they can't supply the money to build up their own force level. We're going to have to do that or the Europeans or somebody is going to have to do it. So maybe when the history of this is-- is told this is going to be the hard war and Iraq is going to look easier.

DAVID BROOKS (overlapping): --on the upside is that our troops are a lot better, they really are impressive and that they know how to do this. Secondly I found they like the Afghans more than the Iraqis. They work with them better and so they are a lot more upbeat. I-- I found them quite upbeat when I went there.

BOB SCHIEFFER: Let's talk about the other things and that is health care. Congress has gone home now, at least the house has, where are we on this Kathleen? I am not sure I know-- you know, we've got all these thing-- plans floating around the House, the Energy Committee over there approved one, you know, various committees so many different committees have pieces of this thing. I am not sure I know where we are on health care. Do you think we're going to come out of this with a health care reform like the President wants?

KATHLEEN PARKER: You have an awful lot of company, Bob, because nobody knows where we are, including people on the Hill. If you ask anyone exactly where we are, they'll say, well, we-- nobody never really knows. And actually that's going to help Congress as they're going back to their homes turfs because they can have plausible deniability by saying, well, we are not really sure yet. You know, people are can-- they were cancelling town halls because people are so angry and— and the crowds have become a little raucous.

Where we are, you know, the-- the Senate group of six, this bipartisan group of three Democrats and three Republicans in the Finance Committee are working on a bipartisan approach and they're real committed, there is an enormous amount of pressure on them to wrap it up quickly, quickly. In fact, a story ran last week saying that they were nearing completion and they weren't, that was probably a plant by someone who wanted to apply a little more pressure.

But in any case, they're—they are committed but there is a concern that there are forces stronger than those six individuals and that there are plenty of people who really do want a partisan bill, and those forces could ultimately prevail.

BOB WOODWARD: But there may be an information gap here too. People in the administration have said, acknowledged publicly that we don't know in health care reform exactly what works and what doesn't work. And to go with the big reform proposal and legislation when you don't know what works and what doesn't work is very, very difficult.

I, you know, Obama has made this point and I think he's right, it's, kind of, follow the money, where is the money? And he's saying there's too much waste in the system. If you go look at a hospitals or clinics or doctors organizations you realize they are very much like the CIA. It's hard to figure out exactly what they are doing and what the costs and the tests are. Much is hidden, and I'm not sure the Obama administration or the Congress or the public or our business, the news business, really has taken this apart to say, look, this is where the costs are. This is where they can be cut.

BOB SCHIEFFER: Well, that's the part that I don't understand. I mean, you know, I've been around Washington so long. When I hear politicians say we can-- we can get this done by cutting waste, fraud,

and abuse. Somehow, waste, fraud, and abuse, it does never appears-- winds up being enough of it to pay-- pay the bills. How are they going the pay for this, David?

DAVID BROOKS: Well, they can point to models--the Mayo Clinic, the Cleveland Clinic that really do do an efficient job. The problem is as anybody who follows public policy knows there is a big difference between finding an island of excellence and then building a national system based on that model of excellence. That's just two different entirely different things.

So, what, I think, is useful to do is look at the people who've proven themselves to be pretty good economists about all of this, the people in the Congressional Budget Office, very impressive organization. And what they have found for the House bill--after this is all implement health care costs will be rising at eight percent a year. It won't bend the cost curve down. It'll bend the cost curve up. That is just a huge problem. And Obama is very eloquent on this subject--unless we get costs under control, it-- we'll all be paying rising premiums, wages will be flat, the budget will be a bankrupt on a federal level.

And the bill doesn't do that. That to me is the problem with this summer. They're selling a product that doesn't do one of the two tasks they set out for health care reform. And that's just a huge political problem and I think why public opinion has moved in the wrong decision.

BOB WOODWARD: And that's exactly what President Clinton and his wife Hillary ran into in the nineties-- the death of health care of Hillary Care, as it was called, was really the money. And it was actually in August of 1993, they gave President Clinton a series of decisions about health care and he looked at it and he said, my God, costs are going to go up. And, in fact, costs would not go down into what he jokingly referred to as the second Gore administration. As we know, there was not a second Gore administration, and that would have been twelve or sixteen years from that moment. So you haven't solved the money problem I-- I think not just to the public or the Congress, but to themselves.

BOB SCHIEFFER: I wonder if-- if the President learned too well the lessons of Hillary Cla-- Care, a program that was developed in secret, dumped on the Congress and it sank like a stone.

KATHLEEN PARKER (overlapping): I think that's--

BOB SCHIEFFER: So instead, he said well here are some general principles and he left it to the Congress to find the answers to all of this. Don't you think, Kathleen, he is going to have to in the end get more specific on exactly what he wants, exactly how he intends to pay for it?

KATHLEEN PARKER: Well, yes, he's tried to do exactly the opposite. Everything the Clintons did, he did the opposite and it backfired on-- on him a little bit because now we've wound up with bills that-- that aren't really, don't really reflect what the President has said he wants. But-- go ahead, David. I'm sorry.

DAVID BROOKS: No. Well, I would just-- I would just say there are three options. There's the Ira Magaziner hatch it in secret option. There's the hand it over to Congress option. But then there is another option available to him, which is there's a health care plan put together by Bob Dole and Howard Baker and Tom Daschle. And he could've said, okay, I'll sign up with that. And the American people could've said, well, I don't really understand health care but I look at those guys, they probably know what they are doing and he didn't take that option.

BOB SCHIEFFER: All right. We have to leave it there. Back in just a moment. Thank you.

(ANNOUNCEMENTS)

BOB SCHIEFFER: Finally today, a very nice group of people notified me not so long ago that I was being chosen their Senior Citizen of the Year. This is an honor, of course, but it did give me some pause. Yes, I am a senior citizen, and have been for a while, I guess, but I had never really thought of it that way. As I look out on the world from inside my head it still looks about the same as it always did. I guess I forgot when the world looks back at me I do look a little different.

These warnings that we are getting on sneak up on us. First indication is when the police start to look so young. Then a daughter announces she is chairing the same school auction that her mom once chaired-- where did the years go? One day at the Pentagon I realized that somehow or other I had gotten older than the generals. And the other day it occurred to me that I was easily old enough to be the President's father.

But it was when he invited that cop and the Harvard scholar to drop by for a beer that it really hit me. You see, I can remember when a politician holding a drank-- drink, ran for cover when he saw someone with a camera. I had actually chased one or two of them myself. Now the President invites the cameras in to record such a thing. Don't get me wrong. I taught it was a nice idea. But maybe just coffee next time, Mister President. These cultural shifts are jarring for us older people.

Back in a minute.

(ANNOUNCEMENTS)

BOB SCHIEFFER: And that's our broadcast. We'll be back right here next Sunday on FACE THE NATION.

(ANNOUNCEMENTS)

ANNOUNCER: This broadcast was produced by CBS News, which is solely responsible for the selection of today's guests and topics. It originated in Washington, DC.