BOB SCHIEFFER, host:

Today on FACE THE NATION, will Congress bail out the failing auto companies? The White House and congressional leaders are talking now about a new deal which would give the automakers $15 billion in emergency loans to stave off collapse. But will the Congress go along? What do the auto companies have to do in return? How bad would it be if they went under? We're going to ask Senator Chris Dodd, chairman of the Senate Banking Committee, who wants to help, and Jeff Sessions, Republican of Alabama, who's long been opposed to any bailout. Then we'll talk with Tom Friedman, columnist at The New York Times, about this and other challenges facing the new administration at home and abroad. I'll have a final word on why it's probably better for all of us to keep smiling, even in bad times. But first, bailing out the auto companies on FACE THE NATION.


SCHIEFFER: And with us in the studio this morning is the chairman of the Banking Committee, Senator Dodd. With us from Mobile, Alabama, Senator Jeff Sessions.

There now seems, gentlemen, to be some sort of a deal brewing between the Democratic leaders in the Congress--Nancy Pelosi, to be specific--and the White House, to take some of this money that was going already and has already been appropriated by the Congress to go to the automakers to start--help them design more fuel-efficient cars, to take part of that money, about $15 billion, and just give it to them so they can--as sort of a bridge loan to help them basically pay the bills here.

And so I want to ask both of you, number one, do you think this is a good idea? And number two, do you think the votes are there now in the Congress to do something like this? Let me start with you, Senator Sessions, since you're down in Mobile this morning.

Senator JEFF SESSIONS (Senate Budget Committee): Well, I think it's a lot better than they were talking about earlier when the automobile makers wanted $34 billion. Now we're talking about 15 and it's coming out of the money that's already been appropriated. So I think the chances of passage are better. But I do believe that we haven't had the kind of integrity in this request that's necessary, the specificity that's necessary, and I truly believe these companies would be better off if they sought reorganization under Chapter 11 of the bankruptcy code, like so many corporations have done. These would be proceedings under oath. They could relieve themselves of these legacy costs and other unnecessary expenses, come out leaner and more vibrant and be successful. This is the best way to save jobs.

SCHIEFFER: All right. Senator Dodd:

Senator CHRIS DODD (Chairman, Senate Banking Committee): Well, I certainly don't like being where we are at all, obviously. The danger here is you could end up losing the industry in the next few weeks. It's that precarious, Bob. That's not an exaggeration. No one can say that with absolute certainty, but the possibility of that is certainly strong. And so I think many of us, I think Democrats and Republicans, don't want that to occur. So I think you've described it well. This would be a bridge, not a bailout, to get us to the point where we can do exactly what Jeff has
been talking about. Now, the choice is whether or not you want to go with what they call a prepackaged Chapter 11 bankruptcy, which has some real problems associated with it, or to create as something similar to that, to empower a board or individuals to come in and do the kind of restructuring before the automobile industry would get any additional help at all. And we might try to do that. I know some will say, why don't we do that right now? Well, the problem is we've got 48 or 72 hours, and all of us are not experts in this area. It's a very complicated area. There are legacy costs, as Jeff has pointed out. There are other problems. We need the time to do that, it seems to me, and certainly that way ought to be the way we proceed.

Bankruptcy, the problem with it, one, you've got pensions that could cost hundreds of billions of dollars that fall onto the back of the American taxpayer. Secondly, the claim is made, and I think there's some merit to this...(network technical difficulties)

SCHIEFFER: ...one of the things...

Sen. SESSIONS: It's a lot closer than he was with them waltzing in and going from 25 to 34 billion.

SCHIEFFER: Mm-hmm.

Sen. SESSIONS: Pretending to be humble.

SCHIEFFER: One of the things the administration is talking about, Senator Sessions, is setting up some--what some people are calling a car czar; somebody, an official in the Commerce Department, perhaps, who would have broad authority to force these companies to reorganize. Do you think that is a good idea?

Sen. SESSIONS: I'm not comfortable with that. It's another Paulson czar type person. He hasn't been able to perform that well. I am uneasy about the federal government telling these companies what they've got to do to be successful. They're the experts at it, not the federal government. So I'm troubled about that. I think the bankruptcy procedure in which everybody is heard, where people are under oath, experts testify, certified financial statements are brought up, union people have lawyers that represent their interests...

SCHIEFFER: Mm-hmm.

Sen. SESSIONS: ...that's the best way--that's the way the system is set up. Delta went into bankruptcy in 2005, it came out in 2007. It bought Northwest earlier this year. I mean, it's performing well. Bankruptcy reorganization under Chapter 11 will save jobs.

SCHIEFFER: Mm-hmm.

Sen. SESSIONS: The companies will continue to operate, it does not shut the company down. You've got integrity in that process.

SCHIEFFER: Senator Dodd, what do you feel about this idea of a car czar?
Sen. DODD: Well, I'd like to see us try that. We may end up where Jeff Sessions--Jeff Sessions suggested, but I think there's, as I said a moment ago, problems with that. Just pension costs alone could total hundreds of billions of dollars that would fall on the back of the American taxpayer. Again, the ability to sell automobiles. Again, if you don't sell automobiles, there's a credit issue here that we're not really talking about. Consumers cannot buy cars. You have to have a rating, almost a perfect credit rating to buy an automobile today. I was at a dealership--met with dealers yesterday in Connecticut, they're having people walk in who a year ago or six months ago would've qualified to buy an automobile who are being turned down today because the credit rating scores have to be so high. The dealers themselves are having difficulty getting access to credit. This is a credit problem. Credit is frozen, Bob, entirely. So I'm working all weekend, have been walking all day yesterday, will today, talking with Republicans and Democrats, colleagues, to see if we can't get this kind of support, at least to get us to the point where we end up either doing what Jeff has suggested, or something that has been suggested with an auto czar or that like in order to say before you get any additional support at all, then you've got to restructure to a profitable company, an effective company, a viable companies.

SCHIEFFER: I want--I want to just ask you about this whole idea of the bailouts in general.

Sen. DODD: Yeah. Yeah.

SCHIEFFER: You know, we've had this $700 billion the Congress appropriated.

Sen. DODD: Yes.

SCHIEFFER: Told Secretary Paulson he could use half of it. I guess he's done that.

Sen. DODD: Right.

SCHIEFFER: Now he's talking about he may come back and ask your permission to use the rest of it. Do you think that what he has done so far has worked? And should the Congress be ready to give him more money? And this is money not going to the carmakers, but going into banks and financial institutions.

Sen. DODD: Well, I think some of it has worked, and I think in the absence of doing what we did this problem would be 1,000 times worse. I'm totally secure in that statement to you, Bob. But I also have been terribly disappointed that the administration under Secretary Paulson have not addressed the underlying problem; that is the foreclosure issue, which grows by the hour. Chairman Bernanke the other day said it well, you need to address the foreclosure mitigation issues. So I'd be very reluctant, to put it mildly, to write a check, to give permission to have access to this 350 without some very, very strong assurances about a different direction. And I'm not sure they can give that. So I think it would be--I think if there were a vote tomorrow and they came up and said, 'Give us 350, we want that second traunch,' I think it would lose overwhelmingly.

SCHIEFFER: What about you, Senator Sessions?

Sen. SESSIONS: I agree. The idea that this Senate, in a panic mode before the election, would give one man $700 billion to allocate amongst his friends on Wall Street as he chooses with
virtually no oversight whatsoever is just breathtaking to me. And I think we're having some buyer's remorse on that. I think the fact that he flip-flopped from buying toxic assets to actually buying stock in banks whether or not they wanted the government to buy stock in their own banks or not is a very troubling situation. So I think there's going to be a lot of skepticism to the second 350.

SCHIEFFER: You need any help from Senator Obama, do either of you think, on this?

Sen. DODD: Well, again, I think certainly there may be some requests. And again, I don't want to shut the door entirely on this because I disagree with Jeff, I think that this was absolutely essential. Had we not done what we did in October 1, this problem, Bob, would be far more serious than it is today. Injecting capital is what they should have done initially, in my view. You get far more leverage of a dollar that way than buying toxic assets. But we never voted--we...

Sen. SESSIONS: But it was quite different from what he suggested, Chris, all right.

Sen. DODD: I agree. But we gave him the broad authority.

Sen. SESSIONS: Now it's different from what he said he was going to do.

Sen. DODD: We gave him much more authority to do that. But the idea--here we are talking about $15 billion to keep two million jobs working in this country over the next few days, next few weeks. We wrote a check, the government did, for $306 billion to Citi, and we put $150 billion in AIG, which is, again, now some $456 billion. None of us voted on that at all, and whether or not that's the best kind of use of those dollars is certainly questionable. And I come back, foreclosure, foreclosure, foreclosure. For more than two years, Bob, everyone who's looked at this issue has said until you put a tourniquet on the hemorrhaging of the foreclosure problem in this country, the problem does not go away. Nine thousand people a day in America are losing their homes.

SCHIEFFER: Let me go back to just one question on the auto thing. They're talking about these various kind of conditions. As yet, Senator Sessions, nobody has brought up the idea of maybe these auto companies ought to find some different people to run them.

Sen. SESSIONS: Yeah.

SCHIEFFER: Should the people who are in charge now be allowed to stay if they're going to get this sort of a bailout?

Sen. SESSIONS: Well, if they get this kind of bailout, they're subject to governmental restrictions, there's just no doubt about it, including salaries and that kind of thing. I'm a little reluctant to tell private companies who they have to choose as their officers, but in any private company the board of directors needs to be, I think, quite unhappy with how things have gone over the years, and they should certainly be considering new leadership.

SCHIEFFER: Leave them there or consider new leadership?
Sen. DODD: I think you got to consider new leadership. If you're going to really restructure this, you've got to bring in a new team to do this, in my view. And that's--and these should...

SCHIEFFER: Should that be part of the condition of any bailout?

Sen. DODD: I think it's going to have to be part of it. And there are different positions. I think it's clear GM is in the worst shape. Chrysler is, I think, basically gone, probably ought to be merged. Ford is fairly healthy. So we don't want to brand all of these companies exactly the same way. But nonetheless, if you're going to restructure and have a viable manufacturing sector in our country, then...

SCHIEFFER: So what you're saying about GM is that Rick Wagoner, the chairman, has to go?

Sen. DODD: I think he has to move on.

SCHIEFFER: All right. Well, gentlemen, I want to thank both of you. Very enlightening.

Sen. DODD: Thank you, Bob.

SCHIEFFER: Back in a minute to talk to Tom Friedman.

(Announcements)

SCHIEFFER: And joining us now, our friend Tom Friedman of The New York Times, the author of a new book, "Hot, Flat, and Crowded: Why We Need a Green Revolution and How It Can Renew America." And it is an excellent essay on where we are in the world today.

And you talk a lot about how the rest of the world is catching up with us. And while that's good for them, it's not always good for us because it causes...

Mr. THOMAS FRIEDMAN (New York Times; Author, Hot, Flat, and Crowded): And you can hear their--hear their footsteps now, Bob.

SCHIEFFER: Yeah, yeah. Well, let's talk, though, a little bit about what we just talked about here...

Mr. FRIEDMAN: Great.

SCHIEFFER: ...with these two senators. As he was leaving there, you heard Senator Dodd say that he thinks that Rick Wagoner, the chairman of GM, has to go, and we're going to have to have new management at these companies, or at least think about it in some of the other companies, as part of a condition if indeed there is a bailout. What's your take on that? You've written a lot about this.

Mr. FRIEDMAN: Well, Bob, as a--looks like I'm going to be a future shareholder of General Motors as a taxpayer.

SCHIEFFER: Mm-hmm.
Mr. FRIEDMAN: And as a future shareholder of General Motors, I sure don't want to have the management that drove this country--this company into a ditch stay on and hope that they're going to somehow miraculously drive it out. So I would totally endorse new management.

By the way, if we could--and we're talking about bringing in the broom. Of course, we can't do this. We should also be talking about all those Michigan lawmakers who for 30 years protected these companies to death by insulating them from all the environmental pressures, competitive pressures of change by preventing any mileage standards. These are people, remember, who opposed seatbelts, rearview mirrors, just about any innovation you could think of. So we need a real change of thinking here. You need a change of thinking by management, but you need a change of thinking, Bob, by the congressmen senators who protected these guys year after year. GM can only do two things today really well, Bob. They can lobby Congress and they can advertise at the Super Bowl. That's about it. And until they get back to having the talent and management to make cars that people want to drive, that is the core problem. Go on a college campus today, Bob. How many young people do you see driving Pontiacs? You know, you don't see it. That's the core problem. They haven't made cars people want to ride.

SCHIEFFER: Where did they go wrong? Because you've written so much about this, about the connectedness of the world economy. There are people in the world who are making some pretty good cars. Why can't we make a good car? Or you know, the--Detroit would argue we do make good cars, but whatever the--whatever the case, they're having problems selling them. What happened here?

Mr. FRIEDMAN: Well, I think the core problem, Bob, is that they created a business model because of the concessions they made to the unions and whatnot and many other problems, where they could only really make money making big cars, making SUVs, Hummers and trucks. And so that was the only way they could make money. So then what they did was they tried to create a universe, basically, where gasoline would be cheap and you could only or would only have to sell and make those big cars. Just remember a couple of years ago, as gasoline prices rose, what was their response? Was it to move immediately to electric cars or more efficient cars? No, they came out with a program for a $1.99 a gallon gas for a year if you bought a Hummer or a Yukon or a Suburban. It was like a crack dealer saying, `Bob, I'm going to guarantee you free crack or reduced crack for a year.' It wasn't, `I'm going to get you off your addiction.' And so that was--they created a universe, and then they tried to protect it. And then the world, basically, impinged on them with higher energy prices and many other higher costs.

Look, do you remember when Hillary Clinton was pushing her national health care program? (Network audio difficulties)...we need a national health care program. After all, we have these huge burdens of health care costs. No, they were fat, dumb and happy then. Now they tell us, `Oh, it's terrible. We've got these health care costs. Woe is me.' But were they out there campaigning for a national health care plan that they would've been the biggest beneficiaries of? No. They were brain-dead and it's a travesty that the American people are in this terrible choice today which the two senators outlined, which is either we bail out people who really don't deserve to be bailed out--by the way, one of these car companies, let's remember, is a private equity firm. Cerberus Capital, we're going to be bailing out a private equity firm.

SCHIEFFER: That's Chrysler.
Mr. FRIEDMAN: That's Chrysler, the guys who own Chrysler; who bought Chrysler--basically, they got the car company for free. They're really buying the financing arm and they wanted the GM financing arm, you know, with it. That was what they bought, basically. And they thought they'd just strip off the car company. And then oil prices went up and they got stuck holding the car company. We're bailing those guys out, OK? Let the Cerberus Capital people throw in some more money now, you know? Why should we as taxpayers be bailing out a private equity firm? So...

SCHIEFFER: So you favor letting the car companies go down?

Mr. FRIEDMAN: No, I don't. What I favor is if we're going to save them, if we are going to save them, then I want new management and I want to see a real plan for their survival. I understand what Senator Dodd was saying, it's terrible the jobs that could be lost. And we learned from Lehman Brothers going broke what the unintended consequences of this can be. But show me a plan because, Bob, the world has changed around these car companies. Let's use the example of the music business and entertainment, which you know so well. Somebody came along and developed a new way to produce music. It was the MP3 player, the PC. Kids at home could produce their own music. And it created Napster and all those programs. Then someone came along called Steve Jobs and the iPod, they figured a new way to distribute music. The music business got flattened. Same in the--in the news business. People found a new way to generate news at home with blogging, and a new way to distribute it. Bob, the same thing's happening in the car world. In India today, Tata is making a $2500 car. There's companies coming up now with whole new models for all electric cars, new ways to produce, new ways to energize and distribute the what you--the fuel for these cars. There's a revolution happening in this business. And if we give money to these people and it is not with a plan to take advantage of this revolution it would be, Bob, as if today we said, 'Hm, let's give money to make RCA Victor record players in the world of iPods,' OK? Who's going to give the newspaper business a buyout in the age of the blogger, OK? All right. Well, that's what we're doing. That's what we're talking about.

SCHIEFFER: Let's talk a little bit about the recent terrorism that we saw surface in India. It reminded us that all our problems are not here in the United States. What do you make of this, and what is the new administration faced with here?

Mr. FRIEDMAN: It's a terrible problem that we face here, because Pakistan is a failing state and has been a failing state for a long time. And at the same time you still have al-Qaeda and all its various offshoots, whatever brand names they go under out there. But, Bob, if there's one thing we've learned from Iraq in my view, it's the simple message it takes a village, OK? What do I mean by that? The situation turned in our favor in Iraq not just because we sent more troops. That really--that was necessary, but it was not sufficient. The sufficient ingredient was that Sunni Muslims in Iraq said, 'You guys are radical, you are dangerous--you are dangerous to our health and we are going to take you on.' That's why the surge worked in the Sunni community. The same in the Shiite community. Until that happens in Pakistan, until--you get millions of people in the streets in Pakistan who are ready to demonstrate against Danish cartoons that insult the prophet Mohammed, and until you get those same millions of people ready to demonstrate against people who murder real people, not cartoon characters, you're not going to get a change.
SCHIEFFER: What can we do to change that?

Mr. FRIEDMAN: Well, I think that what we can do, obviously we've got to help the new Pakistani government as much as we can. It's not perfect, it's weak, but they are decent people trying to tilt Pakistan in a better direction. They are definitely a start. But we also have to challenge them. We have to get into your face, `Why are you out in the streets protesting for people about Danish cartoons and not people who are murdered in real life on the streets of India or your own towns?'

SCHIEFFER: All right, Tom Friedman, always great to have you.

Mr. FRIEDMAN: Thanks, Bob.

SCHIEFFER: I'll be back with a final thought in just a minute.

(Announcements)

SCHIEFFER: Finally today, my great teacher Eric Sevareid once said it was important to maintain the courage of one's doubts as well as the courage of one's convictions. That has never been hard for me; the older I get, the less sure I am about everything. So I was very glad to find out something I always thought was true turned out to be just that, and now we even have the scientific evidence to prove it. I've always been attracted to happy people for the selfish reason, they put me in a better humor. Well, call me a cockeyed optimist, but I just don't enjoy cynics and doomsayers, so I stay clear of them. Well, a respected British medical journal called BMJ has published a 20-year study of 4,700 people which shows that happiness is not only good for you, it is actually contagious. It spreads like the flu. The researchers told The Washington Post that happiness is far more potent than just making another person laugh. The study showed that when one person in a group is happy, it increases the possibility sometimes by as much as 34 percent that others in the group will also be happy; everyone from a spouse to a next-door neighbor and the impact can be long lasting. With the state of the news these days we're not finding this out a moment too soon, so I'm happy to know it. And pardon me for being smug, but another thing that always makes me happy is knowing I was right.

That's our broadcast. We'll see you right here next week.