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



December 12, 2010 Transcript

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TRANSCRIPT

BOB SCHIEFFER: Today on FACE THE NATION, are your taxes going up? Will Democrats sign off on the President's tax compromise with Republicans?

PRESIDENT BILL CLINTON: I don't believe there is a better deal out there.

BOB SCHIEFFER: Yes, that was Bill Clinton who showed up at the White House, but Liberal Democrats want no part of the deal.

MAN: This was a take it or leave it deal. We were saying leave it.

BOB SCHIEFFER: What now? We'll ask David Axelrod, the President's Senior Advisor. We'll get the liberal side of it from New York Congressman Jerrold Nadler. And we'll bring in former Presidential Candidate Howard Dean to talk about the political fallout.

Then I'll have a final word on Washington smoke signals, but first, David Axelrod on FACE THE NATION.

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

BOB SCHIEFFER: And good morning again David Axelrod is in the studio with us. Good morning, Mister Axelrod.

DAVID AXELROD (White House Senior Advisor): Good morning.

BOB SCHIEFFER: So the President says the only way to get republicans to go along with the extending unemployment benefits and giving-- keeping the same tax rates for middle and lower income people is to also extend those rates, what's some people call it tax cuts, for the upper income groups as well. The Republicans most often seems to love it. The Liberal Democrats are in a rage. So what do you do now?

DAVID AXELROD: Well, first of all, let's be clear that what we agree to is not just extending the - the tax cuts from the Bush-era, but also some tax cuts that were-- that we passed two years ago that go right to middle class families for college, for child-- a child-- child tax credit, it also includes a payroll tax cut of two percent. So people will have more money to spend in the coming year. And it includes business tax cuts. For example, if you own a business you can buy equipment next year under this plan and defer your taxes on-- on that purchase. This is going to help our economy move. That's why, Bob, all economists who have looked at this have said this will put a real charge into the economy. It will add a point or a point-and-a-half to our growth next year. That means more jobs. That means better news for the American people.

BOB SCHIEFFER: So why is the left side of your party, why are the Liberal Democrats so against this? And I mean, they're not just against it. They're mad about it. They're in a rage.

DAVID AXELROD: Yeah, well--

BOB SCHIEFFER: I mean, somebody in the House using the f-word to describe the President.

DAVID AXELROD: There-- there are people on both sides of the aisle, Bob, who have been unhappy because the nature of compromise is that you have to accept some things that you don't like in order to get the things that you do. There are things that the Republicans did not want. They did not want the child care-- the child tax credit. They did not want the college tax credit. They didn't want to extend the full earned income tax credit. These-- that helped people down-- down the income scale. They wanted high-income tax cuts and they wanted to expand the estate tax exemptions--

BOB SCHIEFFER: So what about these (INDISTINCT)--

DAVID AXELROD: --and so we had to make that-- we had to make a-- a-- a compromise to get to where we are. Understand that if we don't, taxes are going to go up. The average person is going to see a three-thousand-dollar tax increase on January 1st. Two million people will lose their unemployment insurance. And that-- that safeguard will go away. It-- and our economy will take a tremendous hit. So faced with that deadline, we made the-- the-- a good deal for the American people.

BOB SCHIEFFER: Well, do you think the Liberals and a lot of these Democrats are just being unrealistic about this?

DAVID AXELROD: Well look, I'm not going to denigrate them because they have strong feelings as we do about whether these high-income tax cuts are-- are the right thing to do at this time with the deficits. That's why we limited it to a temporary tax cut, and-- and the same is true with the state tax. They have valid concerns. The question is when you weigh all of it, is it a net winner for the American people, is it important for our economy. I think the answer to that is, yes, and I think many will come to that conclusion over the coming days.

BOB SCHIEFFER: Well, are you not going to denigrate them but they don't seem to embarrass, to denigrate the President. I mean, some of this language that they're using to describe the President, telling him basically to shove it. Oh.

DAVID AXELROD: You know what? The-- the President of United States has a bigger concerns and the-- those concerns are people who are sitting at home wondering what are they going to be paying higher taxes in January 1st, the people are sitting home, who are between jobs because of these economic downturn. And-- are relying unemployment insurance to get them through this holiday season. Those are his concerns. And he's-- I think, he's properly focused.

BOB SCHIEFFER: Let me ask you. You said in an interview on NPR, you call this deal a flame work. Does that mean that there may be some give in here. There may-- the President said that.

DAVID AXELROD: I think what was agreed to is substantially what people will vote on, Bob. There have been the House-- some-- some in the House raised concerns about the absence of - of an extension of a energy, renewable energy tax credit. That is now been added back in. But in the main, I think that the vote that's going to be taken is on-- on this framework. I don't see huge changes here.

BOB SCHIEFFER: But you-- you would be open maybe to some changes. But you're saying you don't see anything major.

DAVID AXELROD: What-- what yeah, we want to make sure is that we don't get into a kind of Washington style gridlock where this flows over into the New Year, and we send our economy in

the wrong direction. We-- we-- we see taxes go up on all Americans. And unemployment insurance collapse. That would be a bad result.

BOB SCHIEFFER: One of the things that is being talked about, you're talking about on inheritance taxes. Liberals want an exemption of three and a half million dollars on estates for individuals and then want to tax the rest at a forty-five percent rate. The deal that the President has apparently worked out with the Republicans, as I understand it, exempt five million dollars and then tax the rest of it at thirty-five percent. Do you see any give in that?

DAVID AXELROD: You know, again I think the framework that is in place is probably the one we're going to vote on. We agree with the-- the members who-- who want the lower number. That's our position. But temporarily for the next two years, we're willing to accept the higher number. But in exchange for that, we demanded that we extend the child tax credit, the college tax credit, the earned income tax credit, and we got these additional tax cuts that are going to be very helpful to people across this country.

BOB SCHIEFFER: Just on the counting of votes this morning, this Sunday morning, do you think that you have the votes to pass this in both the House and the Senate?

DAVID AXELROD: I believe that this will pass. The President has been talking to members. We're all talking to members. And the members are talking to each other. I think that we will get there. I don't think anybody wants to be responsible for taxes going up on January 1st because we couldn't come to a resolution. But there will be serious discussions between now and the Senate votes tomorrow. I think, the House will get to it later in the week. I hope, and-- but at the end of the day, I believe, it's going to come together.

BOB SCHIEFFER: But is what you're saying to me, as you don't have the votes yet but you think by the time it comes to a vote you will have them.

DAVID AXELROD: I'm saying-- I'm saying to you I'm confident that we will move forward and-- and take this step to avoid a tax increase and to move the economy forward.

BOB SCHIEFFER: You know, I remember that one of the things the President said back during the campaign was, "This is not about me," but you know, as we look at this, it seems to be all about him. I mean, you know, you got the Liberals saying he's being-- he's caved. He's-- he-- he-- he's not fighting hard enough. You've got some of the Republicans saying he's trying to lead us down a Socialist road. Has it become all about this President?

DAVID AXELROD: No, I think, it's all about the American people, Bob. And that's where our focus has to be. It's easy in this town to get distracted by the noise coming from all directions. And you can get so absorbed by that that you don't move forward and do the things that are necessary for the American people. In this case it's absolutely necessary that we get this done. And, I think, the President has done the right thing by focusing on what's important. And, you know, the rest of the politics will take care of itself down the line. And we can deal with those issues later. But right now we're facing a deadline we ought to get this done.

BOB SCHIEFFER: Well is this about politics or is this about tax policy?

DAVID AXELROD: I-- well it should be about-- about our economy. It should be about the well being of American-- of working Americans. And, I think, for most of the people who are voting it will be. I understand again the objections that people have in our party to some elements of this

compromise. But I say again that compromise necessitates accepting some things that you don't like. That's the nature of compromise and if we don't do that, then we get back into the kind of gridlock that enrages the American people and retards our ability to deal with our problems.

BOB SCHIEFFER: Well I say is it about politics or policy because already last week we heard people begin to say, you know, Democrats are so mad that the President may wind up with an opponent in some of the early primaries in 2012. Do you worry that the President Obama might wind up being a one-term President?

DAVID AXELROD: No, I don't worry about that at all, Bob, because I think he's done good things for the country. He's fighting for the American people and for progress, and that progress is going to show. The thing that would be worrisome to me is, if we made a bunch of decisions based on short-term political calculations and forgot about why people sent us here which is to get this economy moving, to cut through the clutter here and do the things that are necessary to secure the future for this great country. So we're going to get that done. And I-- I'm-- I-- I-- I'm very, very confident about the politics. But right now if we don't take care of business, then the politics become more complicated later.

BOB SCHIEFFER: What about the START Treaty?

DAVID AXELROD: One thing that I should say. There's no good politics in letting taxes rise on January 1st. Let me say no party is going to benefit from that.

BOB SCHIEFFER: The START Treaty, do you think there's any chance now that you'll get a vote on that in this Lame Duck Session?

DAVID AXELROD: Oh-hh I think there will that's-- that's a critical piece for our national security. We need to verify what's going on, on the ground in Russia. It will help us enormously in terms of our cooperation on issues like Iran and North Korea. We have to get it done. We can't delay that. So I'm-- I'm hopeful that we're going to get a vote on that and I think the support is there for it.

BOB SCHIEFFER: Let me just ask you this question, we saw these riots in London last week when people found out that the government was going to raise the price of going to college. We saw riots in Greece when the government services had to be cut. We're seeing problems in Ireland with their budget. Are we at a point in this world where democracies have just gone in debt too heavily, where people walked in and have come to expect these services but they really don't want to pay for them? Is that part of what we're seeing here?

DAVID AXELROD: Well, look, we're going to have to have a serious discussion in the coming years about how we get budget deficits under control. The first element of that, the President believes, is to get the economy growing at a robust rate. We've seen growth, as a result of some of the things we've done and the strength of-- the inherent strength of the American economy. We got to do better, but we're going to have, have a serious adult discussion about what we-- what-- what we can afford and what we can't and what our true priorities have to be to make our-- ourselves strong now and in the future. And we're going to have that discussion.

BOB SCHIEFFER: All right, David Axelrod, always a pleasure to have you.

DAVID AXELROD: Thank you Bob.

BOB SCHIEFFER: And we'll be back with some other sides of this story in one minute.

(ANNOUNCEMENTS)

BOB SCHIEFFER: And we are back now with Congressman Jerrold Nadler who is in New York with former Vermont Governor Howard Dean who joins us this morning from Burlington. Well, Congressman Nadler, you are an Eastern Liberal, and proud of it. You didn't like this very much. You heard what Mister Axelrod said. He looks like he thinks what's going to be voted on is about what they've put forward. He doesn't see any changes coming. Are House Democrats going to go for this?

REPRESENTATIVE JERROLD NADLER (D-New York): Well, we passed the resolution in our caucus the other day saying that we would not permit this deal to come to the floor without some changes. Major of those changes would be to-- would have to be to for-- for members of our caucus to let it come to the floor, I don't know. I certainly hope that there are very major changes in this.

BOB SCHIEFFER: Well, what's wrong with this? What's wrong with this?

REPRESENTATIVE JERROLD NADLER: If we-- if-- and-- and looking at it from the long term, there are really three major problems that I see with this. Firstly, the-- the Republican blackmail here. They're really saying like a bunch of gangster that it's a nice middle class tax cut you got over there, pity if something would happen to it and unless you give the millionaires and billionaires a long term tax cut, we're not going to permit the middle class to get it's-- to continue its tax cut. But that millionaires and billionaires tax cut will cost seven hundred billion dollars added to the deficit over the next ten years which we can't afford. Now I know that this is a-- a two-year extension but if we succumb to that blackmail now when both the middle class and the upper end tax cuts expire in two years in the middle of a presidential election why would I expect that the President and the Congress would then have the political gumption not to submit again to the Republican blackmail and in effect permanentize this? So I believe that voting for this now may be to permanentize these upper end tax cuts at seven hundred billion dollars a decade which would be the culmination of a thirty-year Republican plan to starve the beast to-- to-- to create deliberately such massive tax cuts that we're going to have to-- to what they really want which is to cut social security and cut Medicare, cut AIDS education--

BOB SCHIEFFER (overlapping): All right.

REPRESENTATIVE JERROLD NADLER: --housing and everything else.

BOB SCHIEFFER (overlapping): Let me-- let me--

REPRESENTATIVE JERROLD NADLER: Second--

BOB SCHIEFFER (overlapping): --let me just stop you right there because that's going to be a very long answer and we'll get back to the rest of it but what I'm asking you is, would you be willing to let everyone's taxes go up in order to stop that extending those tax rates for the upper income people?

REPRESENTATIVE JERROLD NADLER: I don't think that's the alternative. I think the alternative is to say we're not going to submit to that blackmail and let the President and the

Democrats go to the people that who the polls show want the upper end tax cuts not to continue but want the middle class tax cuts and say don't submit to the blackmail. I-- I believe that if we conducted a campaign like that for a couple of weeks or few weeks or some time period, we'd win that and that's got to be done.

BOB SCHIEFFER: All right. Let me go to Howard Dean? Governor Dean, you said earlier this week that the President has got to start paying some attention to the people who go him where he is and you said he's-- he's got to find some way to heal this rift with the left side of his party. How-- how serious is that from his standpoint? I mean could he be facing opponent in the-- in the 2012 primaries here?

HOWARD DEAN (Former Presidential Candidate): I don't think he's going to face an opponent in the democratic primary. I think that would be bad thing for the country and I think it would be a bad thing for the Democratic Party. The history of people running against Presidents in their own party as the challenger, you loses and then the President is weakened and loses. Now the President has done some things that I think are terrific. This is not one of them. But I-- I think he will not get an opponent.

BOB SCHIEFFER: What do you think is going to happen here, governor? Do you think in the end the House Democrats like Congressman Nadler will come around, just looking--

HOWARD DEAN: Well here's the-- here's the big problem with this, Bob. This is terrible for the country long term and it's not just the things that Jerry was talking about. First of all we're going to find out if the Republicans are serious about the deficits. This tax cut's not paid for. And the biggest part of the deficit in-- as-- if you project out until 2018 is the Bush tax cuts. That is what causes sixty percent of the deficit. Second of all the two percent payroll tax sounds great but in fact they take it out of the Social Security Trust Fund. Now here we are complaining about the Social Security Trust Fund going broke and we take a hundred and twenty million dollars of revenue - a billion dollars of revenue out and use it for a-- a payroll tax mitigation. This is a short-term Washington fix. It does nothing about the biggest long term threat to America which is the deficit. I don't hear Republicans or Democrats talking about the deficit. There is no pain in this agreement. This is the easy way out for everybody. Much as everybody is complaining and hooting and hollering, this is an inside the beltway fuss and somebody needs to do something about the long term problems in this country, it's not in this bill.

BOB SCHIEFFER: Well, Congressman Nadler, let me go back to your objections. It seems to be like it's going to be a difficult thing for the President to bring some of your colleagues around because in that democratic caucus, I mean people heard through the doors some of the shouts I asked Mister Axelrod how did the President feel about some Democrats actually using the "f" word to describe him? It seems like this is a really wide divide we've got here between a democratic President and his democratic House members.

REPRESENTATIVE JERROLD NADLER: Well it is a really wide-- wide divide for-- for a several reasons. People don't want to see those tax cuts for the upper income people permanentize which we feel this may do. Second of all, Governor Dean is entirely right about the long term risk to social security here. Now this one time one hundred twenty-- one year one hundred twenty billion billion dollars tax cut and social security taxes will be paid for out of the general fund but that for the first time starts getting the general fund to-- to subsidize social security for hundred twenty billion dollars a year and bring social security into the deficit debate which greatly undercuts the political support to avoid eviscerating social security a few years down the road that's the second major problem which we don't want to see and the third is this give away

on the estate tax which over ten years is a hundred fifteen billion dollars more than we should be doing.

BOB SCHIEFFER: Do you think if this does not get done somehow in this lame duck session, it's going to be easier next year when you have a more liberal Democratic caucus and a more conservative Republican caucus because it's definitely going to be that because that was the impact of these elections.

REPRESENTATIVE JERROLD NADLER: I don't think it's going to be more easy. I think it'll be probably somewhat more difficult, but the fight hasn't been made. We haven't gone to the country and said, "Do you want to submit to the Republican blackmail in order to keep the middle class tax cuts by increasing the deficit by seven hundred billion dollars to give the millionaires and the billionaires their-- let them keep a-- their tax cut" and that issue has to be made and go to the country and I think we win on that. I think--

BOB SCHIEFFER: Well--

REPRESENTATIVE JERROLD NADLER: --Republicans have to back that--

BOB SCHIEFFER (overlapping): I mean-- Governor Dean, what-- what's Congressman talking about here? Isn't that going to be kind of hard to go to the country now, I mean, we've already had an election here. What-- what do you do when you go to the country?

HOWARD DEAN: Well, I mean, the-- the-- this is a-- already on down the track. I mean, it's-- you know, once you make the offer and you come to the deal, it's going to be pretty hard for the President to pull back and then change his mind in the midstream. The truth is I don't think this is all that bad for the President politically because he-- he is going to be seen as acting presidential and bringing both sides together and all that stuff. The thing that bothers me about it is we have yet to deal with the biggest problem that is facing this country, which is the size of the deficit and nobody is doing anything about it. If you just keep it-- if you keep doing what people like, which is cutting their taxes, you're going to have a bigger deficit and we're going to be weaker in the long term and I-- I just don't see how that contributes to the long-term future of the country.

BOB SCHIEFFER (overlapping): Well, so what--

HOWARD DEAN: Sure it's-- it's easy to promise everybody tax cuts all the time. You've got to make some cuts if you're going to do that.

BOB SCHIEFFER: Well, I mean, are you-- do you advocate letting all these tax cuts run out as it were and having--

HOWARD DEAN (overlapping): No--

BOB SCHIEFFER: --everybody else's-- everyone's taxes--

HOWARD DEAN (overlapping): No--

BOB SCHIEFFER: --go up in January?

HOWARD DEAN: I don't advocate the middle class tax cuts expiring because it-- it really is clear that the middle class is under a lot of stress and every dime you take out of their pockets is a dime that isn't going to go back into the economy. But ultimately, these tax cuts all of them are going to have to expire at some time and if you don't do that, you're-- you're facing numbers that are unfathomable eight years from now.

BOB SCHIEFFER: Well, we-- clearly, Congressman Nadler, we're in the land of poor options here. There's no-- there's no question about that. But how can you prevent people's taxes from going up next year if you don't come to some compromise with Republicans on this?

REPRESENTATIVE JERROLD NADLER: Well, I think you're going to have to come to a compromise but this is a bad compromise because as Governor Dean said, it really sacrifices the welfare of the country long term. I would say that the second largest problem we face long term is the long term deficit. The more immediate problem we face is to create more jobs right now and we have to do that, but you can't do it at the expense of permanentizing these upper end tax cuts and the estate tax cut and jeopardizing social security down the road.

BOB SCHIEFFER: Do you feel that the President has betrayed his party? Congressman.

REPRESENTATIVE JERROLD NADLER: No. I-- I'm not going to say that President betrayed his party, I think that he probably should've stood a-- a little stronger and in-- and-- and-- and not um-- um-- gone along with the-- with what is-- what is the Republican blackmail attempt--

BOB SCHIEFFER: Oh--

REPRESENTATIVE JERROLD NADLER: --and now he thinks that he-- we can fix this in two years, I'm most skeptical of that.

BOB SCHIEFFER: All right. Well, I'm going to thank both of you for giving--

REPRESENTATIVE JERROLD NADLER: Thanks.

BOB SCHIEFFER: --that side of the story and we'll be back in a moment, I'll have some final thoughts.

(ANNOUNCEMENTS)

BOB SCHIEFFER: Finally, as unaccustomed as I am to handing out compliments to our elected officials, may I compliment someone who hasn't gotten many lately. President Obama. Thank you for not smoking. In a week filled with the unexpected, yes, that was former President Clinton holding forth at the White House Podium Friday and loving it, and yes, he is still a good briefer. And yes, those were Republicans lining up to support the President's tax proposals. And yes, those were Democrats telling him to shove it. Talk about role reversal, it was as if actors in a play all decided to exchange costumes and roles on stage. "You wear my suit, I'll wear yours. I'll say your lines, you say mine." Well, amidst all that a nice surprise. We learned that the President hasn't been seen with a cigarette in nine months. Good on him. I hope he's beaten it once and for all. As a once heavy smoker who got cancer and several other diseases from my addiction, I know how hard it was to quit. But over the past few months, I have publicly challenged the President and incoming house speaker and heavy smoker John Boehner to set an example and pledge jointly to quit. My buddy, Tom Brokaw, joined the cause today and said the two should make that pledge on the steps of the National Institutes of Health. He noted

cancer kills four hundred and forty-three thousand people a year, ten times more than car wrecks. So what do you say, Mr. Boehner? Are you going to let the President one-up you on this? If Barack Obama can do it, can't you? Back in a minute.

(ANNOUNCEMENTS)

BOB SCHIEFFER: And that's it for today. Thank you for watching FACE THE NATION. We'll see you next week.

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