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FACE THE NATION

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**GUESTS: Senator RICK SANTORUM, (R-PA)
Chairman, Senate Republican Conference**

**Senator RICHARD DURBIN, (D-IL)
Senate Democratic Whip**

**KAREN TUMULTY
Time Magazine**

MODERATOR: BOB SCHIEFFER - CBS News

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**FACE THE NATION - CBS NEWS
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BOB SCHIEFFER, host:

Today on FACE THE NATION, a new agenda--Social Security, Medicare and Iraq. President Bush announced big plans last week, but can he really fight the war in Iraq, add drugs to Medicare, overhaul Social Security and cut the deficit in half? Will Democrats try to block everything or work for a compromise? We'll put the questions to Pennsylvania Senator Rick Santorum, chairman of the Senate Republican Conference, and the assistant Democratic leader in the Senate, Dick Durbin of Illinois. Karen Tumulty of Time magazine joins in the questions. We'll get a report from Iraq on the elections there, and I'll have a final word on what really makes the world go 'round.

But first, the Iraqi elections and the president's new agenda on FACE THE NATION.

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

SCHIEFFER: And good morning again.

Well, they have gotten all the votes counted in the Iraqi elections. Quickly here's how it came out. The Shiite blocs got about 47 percent of the vote. That is not as large a percentage as they were expected to get. Two Kurdish coalitions got about 25 percent of the vote and Prime Minister Allawi's bloc--he is the interim prime minister--he got about 14 percent of the vote, or at least the bloc that he put together did.

Now Kimberly Dozier, our correspondent in Baghdad, is standing by.

Kimberly, what does this mean, especially for Prime Minister Allawi? Will we be seeing more of him or does this mean he's on the way out?

KIMBERLY DOZIER reporting:

Well, it actually means we've got a very interesting political landscape and some horse-trading coming up. Allawi did very well, and Allawi and the Kurds have been talking. They could give the Shiites a run for their money. Now the Shiites are seven seats short of what they need for a total majority. What happens next is that a president and two deputy presidents have to be elected by the parliament and then they elect a prime minister. So it looks like the Shiites can't automatically get who they want in that prime minister spot. This also leaves the avenue open for the Shiites to do as they'd said they would do, to reach out to the Sunnis, who didn't even make a 2 percent showing in this election and to try to include them in the process.

Bob.

SCHIEFFER: Well, now, let's go back to Prime Minister Allawi, then. What you're saying is that he may be able to work out some sort of a coalition with the Kurds. That's an interesting observation. I haven't heard that expressed before.

DOZIER: Well, they say he has already made a couple trips up north to talk to various members of the Kurdish parties. If you do the simple math, he together with the Kurds could come up with very nearly the same number of seats the Shiites have and that means they are a viable political bloc and it won't be a walkover for the Shiites. They won't just be able to lay down the political gauntlet and make it so. So Allawi has a large part to play in the drafting of

the constitution, it looks like, and that could set him up well for the future, for the next election next fall for the permanent government.

SCHIEFFER: As he tries to work out some sort of a role for the Sunnis. What happens to the Sunnis? What happens to the prime minister, and can he make an alliance with the Kurds? Very interesting. Kimberly Dozier in Baghdad, thank you so much this morning.

And we're back here in Washington. With us from Springfield, Illinois, this morning, the Senate Democratic whip, Dick Durbin; here in our studio the Republican Conference chairman, Senator Rick Santorum. Joining in the questioning, Karen Tumulty of Time magazine.

Senator, those sound like the things that people talk about when they're in a democracy.

Senator RICK SANTORUM (Republican, Pennsylvania; Chairman, Senate GOP Conference): Yeah. It was wonderful just seeing that. It was great that you had this building of parties and coalitions and I think--it was wonder--actually, I think it was a good thing that the Shiites can't just sort of dictate how things are to go, and democracy is going to be at work, not just at the polling places but now within the halls of the government. It's a wonderful accomplishment.

SCHIEFFER: We shouldn't understate, however, that the violence continues.

Sen. SANTORUM: Oh, absolutely. Look, this is--we're at the beginning of this process. And the fact, though, that so many people turned out to vote and now we're seeing the workings of democracy within the legislative branch and the parliament trying to come up with coalitions and work together with people that in many cases never worked together before, this is what democracy and democracy-building is all about.

SCHIEFFER: OK. Let's talk about some coalitions...

Sen. SANTORUM: OK.

SCHIEFFER: ...and some horse trading that's going to have to go on here in Washington. People including many in your party seem unconvinced that the president has the right idea about overhauling Social Security. What do you think he's done wrong here?

Sen. SANTORUM: Well, I don't think he's done very much wrong at all. My feeling is that the president has gone out and done two things that were very important. Number one, he went out and laid out the problem. And he talks about this perfect storm of low birth rates, people living longer and then the baby-boom generation retiring. Those three things combined drive the number of workers to the number of retirees, that ratio, down which means that we're going to have--when I retire--two people working for every retiree. And when I was born, we had about 15 people working for every retiree. That means the system is going to be in trouble again not for current retirees but for people in my generation and younger.

And I think he's made the case. And if you look at all the polls, 75 percent or more of the public believes there's a problem with Social Security for folks in my generation. And so I think that's important. The next question is: What do you do about it? The president has put forward a new idea, and that is instead of just raising taxes or cutting benefits, let's put an idea that gives younger workers the opportunity to pre-fund their accounts, to put some money

aside, let it use the miracle of compound interest, built up those accounts over time, so they have a hope to get something more than the current system provides for.

SCHIEFFER: But here's the question that I have, Senator. Whether you think that's a good idea or not--and almost everybody agrees it's going to cost a tremendous amount of money, by some estimates \$2 trillion; I think the president says somewhere around \$700 million--that does not solve the problem of keeping Social Security solvent. What it does it provides something new for future generations, but, in fact, it worsens the problem of how to keep it solvent.

Sen. SANTORUM: I disagree with that. I mean, you remember the old Fram oil filter commercial, 'Pay me now or pay me later,' and if we don't do something now to put a down payment for young people so they have the opportunity to have a hope for something better than the system now will provide them for, we're looking at huge tax increases down the line, big benefit cuts down the line and huge deficits. Our deficits now will pale in comparison to the deficits once Social Security starts going into the red and we're looking at \$200, \$300, \$400 billion annual deficits of Social Security on top of the deficits we're running because of Medicaid and other programs. So this is a wise investment in the future of Social Security.

SCHIEFFER: All right. Well, let's see what Senator Durbin thinks about all that. Senator?

Senator DICK DURBIN (Democrat, Illinois; Democratic Whip): I think that the president dramatically overstated the problem. If we do nothing to Social Security, absolutely nothing, it will make every payment that's been promised with the cost of living for 37 years, maybe 47 years, and then if we did nothing, we'd be in better shape than what President Bush has proposed. President Bush's proposal would make dramatic cuts in Social Security benefits.

Boston College just released their study this weekend. Now I don't think they have any partisan ax to grind here, and they came out and said that if President Bush's proposal to change the index goes through, it could mean a 40 percent cut in benefits for seniors in the out years, the same generation Senator Santorum referred to. In addition, the president has been unwilling to include the cost of privatizing Social Security in his own budget. Why? He can't figure out how to pay for it. It's so expensive, \$1, \$2 trillion added to our national debt for future generations, money we'd have to borrow from China, Japan and other countries. The president's plan is not receiving rave reviews by anyone, seniors as well as politicians on Capitol Hill, and both parties have a lot of skepticism.

SCHIEFFER: Well, Senator Santorum says it's going to be worse in the future if you don't do it now. How do you respond to that?

Sen. DURBIN: If you follow the president's proposal of cutting Social Security benefits by up to 40 percent in the out years, that is a much deeper cut than would occur if we did nothing. I'm not proposing doing nothing. I was around in the mid-'80s when we did something significant on a bipartisan basis. President Ronald Reagan called Tip O'Neill, the lead Republican, lead Democrat, put together a commission under Alan Greenspan. We had a bipartisan approach that brought over 50 years of solvency for Social Security. That's the way we should do it again, common sense, modest approaches today that will play out over the long term to make Social Security strong.

Ms. KAREN TUMULTY (Time): So, Senator Durbin, are the Democrats gonna put forward their own approach on this issue, or do they just figure that they can kill the president's plan

the way Newt Gingrich killed Hillary Clinton's health-care plan, which is by just saying no? Is there a problem out there that the Democrats need to address?

Sen. DURBIN: On November 2nd President Bush won the coin toss. He receives. He's going to get the ball and get a chance to move down the field. But, first, he has to show us his plays. What's he want to see in this Social Security change? We've heard a lot of generalities about personal accounts and the future of Social Security. The devil is in the details. The president has to put down a specific proposal, and then we all have to take a step back, and say, 'What are we going to put on the table on a bipartisan basis that really is an honest answer to the future of Social Security?' Many are pushing these dramatic changes, privatization, because, frankly, they don't like Social Security. They want to see it come to an end, as we know it. I'm not one of those people.

Sen. SANTORUM: Well, first off, I think I can say very clearly I don't want Social Security to end. I think Social Security is a vitally important program and the president is putting forward answers because he believes the same thing. First off, the idea that the president has proposed this indexing, he has not. It's not in his proposal. All he has come forward with in specifics is his idea on how to deal with personal accounts. You can attribute certain suggestions, and there are lots of them out there--that happened to be Daniel Patrick Moynihan's suggestion as to what to do about Social Security. But what we are suggesting is that we use personal retirement accounts in lieu of--Senator Durbin refers to 1983. What did they do in 1983? We tend to forget. The increased taxes from 10.7 percent of payroll taxes to 12.4 and they raised the retirement age from 65 to 67. If that's more--if you want more of the same, let's wait. Let's do nothing now. Let's not pre-fund these accounts. Let's not give younger workers the opportunity not to have to pay more taxes or have cuts in their benefits. Don't give them any hope that they're going to do better than the current system promises and wait for the next generation of politicians to stick it to them.

Ms. TUMULTY: What you refer to, Senator Santorum, as pre-funding these accounts essentially blows a hole as much as \$2 trillion in the budget. How do you propose to make up that \$2 trillion? Cutting benefits, raising taxes or just borrowing it?

Sen. SANTORUM: Yeah, the first thing is that I go back to pay me now or pay me later. For a trillion and a half, 2 trillion, that number, we can save up to \$11 trillion in long-term liabilities. That's a good investment. I think any investor, any group of people would say, 'If you can spend that money now and save that kind of money later, that would be a good thing to do.'

Remember, when we take the money that's now going into the Social Security system and put it into these personal retirement accounts, a lot of this money is going to be invested in--Guess what?--government bonds, the very same government bonds that are now being held by Social Security. That's not a net cost to the federal government. That money comes back into the Social Security trust fund. We could make sure that it does. And that could go out to use--to pay benefits. So I think these cost estimates candidly are overblown because I think a large portion of this money that's going to be invested by people, particularly if they're older, and they take these personal retirement accounts, are going to be in government bonds and then be used again to pay Social Security benefits.

Ms. TUMULTY: But there will be costs. How would you make up the difference?

Sen. SANTORUM: There will be costs but you--yeah, I would just say that we can do so through borrowing. That would be one way of doing it. And, again, I would argue that right now, given the deficit projections that we have in the near term, we're in much better shape to

borrow the--we've talked to folks on Wall Street. They've said that \$100 billion to \$150 billion a year would have absolutely no impact on the interest rates that are being charged by government bonds or on corporate bonds. That to me would be one way of doing it. I'm not suggesting that's the way. I think Senator Durbin is right. We need to sit down, we need to have bipartisan discussions. And I'm willing to do that.

SCHIEFFER: Let's continue talking about this, but let's take a little break right here. And we'll come back to you, Senator Durbin, in just a minute.

(Announcements)

SCHIEFFER: Senator Durbin, let me just ask you about the bottom line here. Do you think there are the votes in the Congress at this point to actually enact any kind of real reform for Social Security or do you think it's going to be something people are going to talk a lot about this year and nothing will get done in the end?

Sen. DURBIN: I don't think President Bush's proposal is going to go forward. The speaker of the House, Denny Hastert just said the other day that you can't jam a new idea like this down a person's throat. People have to be receptive to it. And I think we're receptive to looking to the long-term needs of Social Security, but privatizing it and not paying for it is not an approach that we're going to accept.

I listened to Senator Santorum explain the president's budget deficit. It reminds me of baseball players on steroids and in denial. We have a budget deficit that is serious, much more serious than the president's budget suggests because the president refused to include the cost of privatizing Social Security or making his tax cuts permanent or a lot of the other changes. For example, the war in Iraq is not included in the president's budget. The budget realities make the president's plan for Social Security much less likely to succeed.

SCHIEFFER: Let me just shift and ask you about the president's plan to add prescription drugs to Medicare, which was passed last year. Now we find out it's going to cost considerably more than we thought last year. Now you're hearing some Republicans say that maybe we ought to hold it to the original cost. I think Senator Gregg, who, I guess, is chairman of the Social Security subcommittee, I believe, is expressing some doubts about all of this. What is the Democratic stance? The president says he's not going to let them cut that one iota. What will Democrats do about that?

Sen. DURBIN: Bob, let me tell you. This is a perfect illustration with what's wrong with Congress and the Senate. When we passed the Medicare prescription drug bill, the dominant lobbying group was the pharmaceutical companies. The one thing they insisted on was not being held accountable for competition and reasonable cost, and so we prohibited Medicare from negotiating with the pharmaceutical companies to come up with a reasonable price for prescription drugs; the same thing we do today with the Veterans Administration, the same thing Canada does today. Now the costs are running out of control. That was totally predicted by those of us who voted against it. In come some Republican leaders and say, 'Well, the answer is not asking the drug companies to cut down on their profits but cutting back on the benefits of the prescription drug program.' The fatal flaw here is the pharmaceutical company lobby is still running roughshod over this Congress. There is no price competition. And seniors and their families will be the ones who will lose out.

Ms. TUMULTY: Well, Senator Santorum, when you voted for this plan, when it was estimated to cost \$400 million, did you have any idea that the real costs were going to be, in

fact, almost twice as high? And has this given you any pause at all on what you guys voted for last year?

Sen. SANTORUM: Well, first off, we were very concerned about the cost of this. But you've got to remember, you're looking at apples and oranges here. What they're looking at here is the 10-year cost, starting in 2006 when the full drug benefit went into effect. The original cost had the first two years, where there were virtually no costs to the system because the drug benefit wasn't in place. So you're comparing 10 years now that the--two years of the baby boomers at the end as opposed to two years where there was no benefit at all. So, of course, it's going to go up in cost. Everybody knew that. I think a little bit of this is disingenuous overreaction.

To Senator Durbin's point, as far as the pharmaceutical companies, the provision that's in this legislation was the provision lifted exactly out of the Democrat bill that Senator Tom Daschle proposed. It's the exact language. We put this in the bill to have private competition when it comes to drug prices. If you changed it and offered an amendment to require the government to negotiate those prices, both the Office of Management and Budget and the Congressional Budget Office would score that as no savings because they believe the private sector competition will get as many benefits as drug costs being mandated by the federal government. That's the reality.

This is hyperbole. This has nothing to do with reality. This is an expensive program. We knew it was an expensive program. And we always have to, obviously, be on guard to see what we can do to make sure that we can control those costs.

SCHIEFFER: Do you say that it will stay exactly as it is, as the president insists, or will Republicans try to reduce it?

Sen. SANTORUM: I don't think you're going to see any effort on the part of at least me or Republicans at this point to try to change a program that hasn't even been implemented yet. We don't know what this cost is. We haven't even begun--this program hasn't even started yet, so the idea that we're going to change it before we've even implemented it and see what happens and see what the true costs are, we're now looking at a bunch of bean-counters who have no better idea what this plan's going to cost than they did two years ago, and let's take a look and see how it's implemented and then make changes, if necessary.

Ms. TUMULTY: But...

SCHIEFFER: Sen--go ahead.

Ms. TUMULTY: So what do you say, though, to people who point out, for instance, that the president's plan for Social Security has this same sort of 10-year window where you don't really see the costs in the first few years? What do you say to people who say, you know, if this administration has surprised us this much on these numbers why should we trust them on any of their other budget issues?

Sen. SANTORUM: Well, first, I think I would make the argument that the president's numbers are not a big surprise on these numbers. Again, we're talking about adding two years of very expensive drug benefits with 3.2 million seniors retiring during those years as opposed to right now, now 1.2 million seniors retiring. That is a big additional cost as opposed to not having any cost the first two years. So I don't think there's any surprises here. I think there is a lot of political posturing and positioning, but the fact is that we knew this was going to be a costly benefit, adding a very essential part to Medicare, which is prescription drug coverage,

was important to do. I think we did it in a responsible way. Let's see how this program is implemented and if we need to make changes, we'll look at it next year or the year after.

SCHIEFFER: Let me quickly--we have about 30 seconds--Senator Durbin, I want to ask you about the election yesterday of Howard Dean to be the chairman of the Democratic National Committee. Will he set the policy now for the Democratic Party?

Sen. DURBIN: No. He'll be part of a team that includes the congressional leadership, governors and other Democratic leaders across the country. But Howard Dean I think brings an energy to this and I think a proven ability to reach out to new activists in the Democratic Party, new contributors. He's got a great record as a governor. He's done something this president's never done and that's balance his budget and extend health care to young people in his state. I think he has a good message as a person. He'll be a good leader in our party.

SCHIEFFER: All right. Thanks to both of you.

Sen. SANTORUM: Thank you.

SCHIEFFER: I want to close this segment by noting with sadness the passing this week of George Herman, who anchored FACE THE NATION for 15 years. As a young man George made his mark as a CBS News correspondent in Korea. He began covering Washington during the Eisenhower administration and later was the first television reporter to file a story on Watergate. He began moderating FACE THE NATION in 1969 and interviewed virtually every major figure in America. His favorite, surprisingly, heavyweight champ Muhammad Ali. At a CBS party last fall, he recalled Ali had a bad case of pre-interview jitters.

GEORGE HERMAN (CBS News): (From 2004) 'You guys are going to murder me. This is just awful. I should have never have agreed to come on.' And I said, 'Mr. Ali, if I got into the ring with you and put on the gloves, would you murder me?' He said, 'Oh, no, we'd dance around a little and we'd have some fun and we'd both learn something.' And I said, 'Mr. Ali, what makes you think I'm more of a (censored) than you are?'

SCHIEFFER: (Technical difficulties) laughed, and the interview went very well. George Herman was 85. We remember him as a fine reporter and even better person.

Back in a minute.

(Announcements)

SCHIEFFER: On FACE THE NATION, our guests talk about the big issues, and do they talk, with commonsense sometimes, with bombast sometimes and sometimes with the artful dodge. But in the Valentine season, we remember what really makes the world go 'round, yet it requires few words to express. The most powerful sentence in the English language, after all, is one of the shortest: 'I love you.' So with a little rhyme, we reflect today on this invisible force in what is real and what is not.

A child's question asked of me, 'If I can't see it, can it be? I see my toy. I know it's there. I feel my arm. I touch my hair. These are things I know to be, but are there things I cannot see? What of the wind? Where does it go? And are there other things to know?' 'Oh, yes, my dear, and soon you'll find they're locked inside the heart and mind. Sweet love's desire, a mother's prayer, more real than all we see out there, more real than sun and moon and rain, at first,

much harder to explain. The only thing that I can say, I say it now in just this way: What is real and what is not? Love is real. The rest is not.'

Happy Valentine. We'll see you right here on FACE THE NATION.