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



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GUESTS: SENATOR CHARLES SCHUMER
D-N.Y., Chairman, Democratic Policy Committee

SENATOR JEFF SESSIONS
R-Ala., Ranking, Budget Committee

MAJOR GARRETT
National Journal

NANCY CORDES
CBS News Congressional Correspondent

MODERATOR/

PANELIST: Bob Schieffer, CBS News Political Analyst

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FACE THE NATION - CBS NEWS
(202) 457-4481

TRANSCRIPT

BOB SCHIEFFER: Today on FACE THE NATION, at the 11th hour Congress and the White House were able to head off a shutdown of the government and the victory laps began.

(Crowd cheering)

BOB SCHIEFFER: The President showed up at the Lincoln Memorial to the surprise of weekend tourists.

PRESIDENT BARAK OBAMA: Because Congress was able to settle its differences, that's why this place is open today and everybody is able to enjoy their visit.

BOB SCHIEFFER: At a fundraiser last night in Connecticut, Republican Speaker John Boehner regaled a partisan audience with insider details of the negotiations.

JOHN BOEHNER: All of a sudden the jovial, never says a nasty word, Joe Biden jumps up and says, "Well, I think we've enough of this. I think we ought to just shut it down. We'll let the American people decide."

BOB SCHIEFFER: So what happens now with a bigger and more serious battle looming over whether to raise to the debt ceiling. We'll bring in two key players Jeff Sessions of Alabama, the ranking Republican on the Senate Budget Committee and New York's Chuck Schumer, a member of the Senate's democratic leadership.

We'll round out the discussion with two reporters who covered this story, CBS News congressional correspondent Nancy Cordes and Major Garrett of the National Journal.

It's all ahead on FACE THE NATION.

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

BOB SCHIEFFER: And good morning again. Welcome to FACE THE NATION. Senator Sessions is in the studio with us this morning. Senator Chuck Schumer is back home in New York. And Senator Schumer, I want to start with you. Because the President and the leadership in both Houses has now agreed to a funding bill to keep the government running until October, but it includes thirty-eight billion dollars in cuts to federal programs. The problem is we really don't know where these cuts come. Tell us what some of them are.

SENATOR CHARLES SCHUMER (D-New York/Chairman, Democratic Policy Committee): Well, let me say the compromise I think is a fair compromise. Both sides gained. And I think it will get broad bipartisan support. The turning point in this was when the hard right which wanted to focus the cuts--

BOB SCHIEFFER (overlapping): But Senator Schumer--

SENATOR CHARLES SCHUMER: Yeah.

BOB SCHIEFFER: Before we get to that, tell me what some of the cuts are?

SENATOR CHARLES SCHUMER: Well, the cuts are across the board. Everybody gives some pain. And we don't have the specific details yet. They're going to be published on Monday. And I'm not going to get into any of the specific details until then. But I can tell you this that about half of the new cuts will go not just go not just from what's called the domestic discretionary but other areas--defense, agriculture and things like that. And that's what allowed us to get up to that number. That was the turning point. The Tea Party folks wanted them all to come from domestic discretionary. And it's much broader than that. More than half of the new cuts are from the so-called chimps, which don't cut the seed corn. The things like teachers and Head Start and cancer research and helping kids go to college which we thought would have been a huge mistake because those would have hurt our economy and hurt the middle class. Our goal cut the waste but don't cut the seed corn which keeps the economy growing because the American people have said to us two things. They said, yes, cut but make sure you grow jobs and grow that economy. And you had to do both.

BOB SCHIEFFER: Well, I mean, do-- do members of the Senate and the House know what these cuts are because you say you can't-- you can't tell us what they are?

SENATOR CHARLES SCHUMER: Well, no. There are broad outlines. This much is coming from defense. This much is coming from agriculture. This much is coming from let's say HHS. But as for the specifics, those are going to be published on Monday. And we've agreed not to say anything before then.

BOB SCHIEFFER: Okay. Well, all of this, of course, is just prelude to the big battle coming down the road here because if Congress does not agree to raise the debt ceiling. And that's going to have to be done in the next month or so. Then, the government will have to start defaulting on its debts. And if anyone out there thinks that what has just happened here in Washington didn't send shivers down the spines of economists and-- and people who follow this sort of thing, just wait until you see the impact on the economy if the United States has to start defaulting on its Treasury bills. But the President has said he wants a clean bill. He wants an up-or-down vote on this to raise the debt ceiling. And last night, Speaker Boehner made it pretty plain that is not going to happen. Let's listen to what he said.

JOHN BOEHNER: And the President says, "I want you to send me a clean bill." Well, guess what, Mister President. Not a chance, you're going to get a clean bill. And I can just tell you this. There-- There will not be an increase in the debt limit without something really, really big attached to it.

BOB SCHIEFFER: Well, Senator Sessions, what does that mean without something really, really big attached to it?

SENATOR JEFF SESSIONS (R-Alabama/Ranking, Budget Committee): We've got to talk about the systemic problem that we have. We limited how much debt about congressional action that the-- the country could assume. We've reached that limit far sooner than we thought because the spending is surging out of control. And so the question now is, should we raise it? And, the American people are saying, children, you've misbehaved. You've spent too much of our money. And I think through their elected representatives they will insist that we make some changes in how we operate the budget. You could have a two-year budget, for example, instead of one. I think that would help. We can put statutory caps on spending. We can have a balanced budget constitutional amendment that failed by one vote about a decade ago. So I think there are a number of serious things of that nature that we must confront and the President just can't

waltz in and say we're going to have a debt crisis if you don't raise the debt limit, Congress, and we're not going to have any changes and I'm not going to support any changes. He's going to have to meet Congress halfway, really the American people halfway.

BOB SCHIEFFER: Ah, Senator Schumer, one of the White House advisors David Plouffe said this morning that-- or suggested anyway that-- that the White House may agree to some conditions before raising the debt ceiling. What-- what would be the acceptable?

SENATOR CHARLES SCHUMER: Well, I think David Plouffe said that the President would outline a proposal to get our long-term debt down this week. And that's a good thing because, you know, Speaker Boehner had to keep these negotiations going to the last minute to show the Tea Party people he was doing everything he could. You cannot do that with the debt ceiling. That is playing with fire. Because if the markets believe we are not going to pay our debts, it could be a formula for recession or worse. So this is playing with fire. And I would urge both sides to take the threat of not renewing the debt ceiling off the table. Having said that, the President is going to come forward early and outline a plan as David Plouffe said. And it will be-- that's a good idea because it doesn't bring things down to the wire on the debt ceiling, but it also will show the great contrast with Paul Ryan's plan. And while I don't know the details-- there are-- knowing what the President thinks on specifics that are likely to be there or some generals, rather, that are likely to be there, it'll be broader. The Ryan budget focuses on the middle class. You need to share sacrifice. And we believe that, for instance, defense cuts should be greater than Ryan proposed. You can't-- there's waste there like everywhere else. And even more importantly there have to be revenues. If you're going to reduce the deficit, how do you allow the oil companies to get huge subsidies? Which was based on a time when oil was seventeen dollars a barrel not a hundred? How do you give tax breaks for multimillionaires and companies that send jobs overseas and yet decimate middle class programs? So it's got to be--

BOB SCHIEFFER (overlapping): You're-- you're-- you're talking--

SENATOR CHARLES SCHUMER (overlapping): --fair. It's got to be fair and across the board.

BOB SCHIEFFER: But you say it's got to include revenues so you're talking about raising taxes?

SENATOR CHARLES SCHUMER: Well, there are revenues in terms of oil company liabilities. There are revenues in terms of tax breaks to corporations that go all overseas. But I think many of us feel that tax breaks for millionaires is part of that shared sacrifice absolutely.

BOB SCHIEFFER: Well, okay. Well, I guess I do want to get a response--

SENATOR JEFF SESSIONS (overlapping): Bob--

BOB SCHIEFFER (overlapping): --from Senator Sessions, you know, one other point.

SENATOR CHARLES SCHUMER (overlapping): One other-- you know, one other point--

SENATOR JEFF SESSIONS (overlapping): Let me just say. Well-- well, you share a lot, Chuck. But this budget that the President has already submitted a few weeks ago, is the most irresponsible budget ever submitted to the American people. We're in a financial crisis. It did nothing to change the trajectory we are on but actually increased it. He has education spending increased ten percent, energy 9.5, State Department 10.5, his rail deal sixty-two percent

increase in transportation's fun-- funding. We don't have the money. We're spending money we do not have.

BOB SCHIEFFER (overlapping): Well--

SENATOR JEFF SESSIONS: We have got to change. And what this Plouffe announcement today is we've got to examine it very carefully. The reason we've changed. The reason this dynamic has changed. The reason the President has dramatically suggesting he's altering the budget that he sent a few weeks ago, is because of the Tea Party. The people out there who are unhappy with the way this Congress has spent our country into virtual deficit oblivion--

BOB SCHIEFFER (overlapping): Well--

SENATOR JEFF SESSIONS: --and put us in a recession and they're demanding a change and I understand the big spenders don't like those people.

BOB SCHIEFFER (overlapping): Well-- well, let me just ask--

SENATOR JEFF SESSIONS (overlapping): But I'd like them. I think they are saving the country.

BOB SCHIEFFER: Well, let me just ask you this. If we don't have the money, you're talking about, we don't have the money. This plan that David Plouffe that Senator Schumer just referred to talks about lowering the tax rates for upper-income Americans down to twenty-five percent and also lowering the corporate tax rates. Senator Schumer says, "We-- we may be have to raise taxes." Republicans seem to be talking about "let's cut taxes some more."

SENATOR JEFF SESSIONS: The Ryan plan is a really comprehensive, historic plan that Erskine Bowles and Alan Simpson, the Debt Commission people praised. They're straightforward, honest and at any other plan submitted, they said needs to deal in the same way that Ryan did. If they don't cut this spending, say, "Where're you going to get the money?" is what they basically said.

SENATOR CHARLES SCHUMER (overlapping): Let me say this, Bob.

SENATOR JEFF SESSIONS (overlapping): So we're now waiting to see with a baited breath whether the Senate Democrats will propose anything. The House Republicans have stepped up. Will the Senate do the same?

SENATOR CHUCK SCHUMER (overlapping): Let-- let me say this. Senator first, the only cut, the only taxes we're saying is don't give the Bush tax breaks to the multimillionaires. No one else's taxes would go up. The pledge that the President made stays but why shouldn't there be shared seared sack-- shared sacrifice? You're telling middle-- the-- the-- the other side wants to tell middle class kids, it's harder to go to college, wants to lay off teachers, stop lay-- lay off or stop research which creates new jobs. We're saying there should be shared sacrifice. And I'll tell you one other place there will be a difference, which is in Medicare. We both-- both agree. I think there's agreement from both parties that we have to look at Medicare and Medicaid, these health entitlements. But instead of privatizing which is what Paul Ryan has proposed, when you - when you privatize it, you're saying basically the insurer, you give the insurance companies a lump sum of money and they go do what they want. What history has shown is, rates continue to go up and costs continue to go up, but benefits go down. We're looking at making-- keeping

the benefits but making the delivery systems more efficient. That was begun in the health care bill and will continue. And it's a much different proposal. It's not--

SENATOR JEFF SESSIONS (overlapping): Well--

SENATOR CHUCK SCHUMER (overlapping): --leaving it up to the insurance companies.

SENATOR JEFF SESSIONS (overlapping): Um-- Bob how-- how-- I understand.

SENATOR CHUCK SCHUMER (overlapping): So, what I'm saying, Jeff, is this, we will-- we will-- we will both agree that we have a deficit problem and have to bring it down. Our belief is--

SENATOR JEFF SESSIONS (overlapping): Well, that's a change.

SENATOR CHUCK SCHUMER (overlapping): --ours --ours shared sacrifice across the board and yours is just aimed at middle class people.

SENATOR JEFF SESSIONS: I deny that. That it's aimed only at middle class people. But what is changing here is the President's budget did none of that. The President's two thousand pages he sent to us just a few weeks ago proposed no changes in Medicare, no changes in Social Security or Medicaid or-- or-- and actual increases in discretionary spending, increases in taxes and still increasing the debt even more than we were already on. So we're going to look at this and we'll discuss it, Chuck and I will. And the members of Congress and we'll wrestle with these difficult numbers. But I-- I'm glad to see some sort of retreat and acknowledgment that the original proposal could do nothing is no longer on the table.

BOB SCHIEFFER (overlapping): Let me-- let me just ask both of you.

SENATOR CHARLES SCHUMER (overlapping): No, we're talking about apples--

BOB SCHIEFFER (overlapping): And let me just say-- let me just say this in a just a very short answer here because we're-- we're close to out of time. Do either of you seriously believe that they would not raise the debt limit when-- when push finally comes to shove?

SENATOR JEFF SESSIONS: The President is going to have to meet with the speaker in the House and-- and the-- and make some concessions. And I think eventually, we'll raise that debt limit. But if he thinks he can just do it without making any changes in the spending patterns we're on, it won't happen.

BOB SCHIEFFER: Senator Schumer.

SENATOR CHUCK SCHUMER: Let me say this. Playing the same game they played on shutting the government down up until the last minute and using that as sort of leverage to get things they wanted and fortunately we didn't go along with a lot of them. But doing that on the debt ceiling, a disaster, a formula of playing with fire that could actually have the credit markets stop taking U.S. debt and create a recession. This should be taken off the table now. It is highly irresponsible. It is un-- un-- it is-- it-- it shows a lack of knowledge of how our--

SENATOR JEFF SESSIONS (overlapping): And the Pres--

SENATOR CHUCK SCHUMER: --government works and major business leaders, Jamie Diamond has said he can't imagine either party would even think of doing that.

SENATOR JEFF SESSIONS: Bob, the President is going to have to reach out early, if he wants to get an early solution. He cannot just do nothing.

BOB SCHIEFFER: All right. Well, gentlemen--

SENATOR CHARLES SCHUMER (overlapping): He's not saying he's going to do nothing--

BOB SCHIEFFER (overlapping): --I think we're going to be talking about this a lot more. Thank you.

SENATOR CHARLES SCHUMER (overlapping): --he's just not doing what Jeff wants.

BOB SCHIEFFER: We'll be back.

(ANNOUNCEMENTS)

BOB SCHIEFFER: Well, we're back now to talk about the politics of this week's budget deal with two people who saw it up close--the good, the bad and the ugly. Major Garrett of National Journal and our own Nancy Cordes who-- both of whom cover Capitol Hill.

Major, what do you make of this? What does this pretend for what's about to happen here, this-- this situation with raising the debt ceiling.

MAJOR GARRETT (National Journal): A couple things, that the system can work and that Senator Reed and Speaker Boehner have a better relationship than they had before as does the Speaker Boehner and the President of the United States. That all counts because before they really were testing each other to find out who could prevail and both sides to a certain degree prevail, but it's quite clear, Bob, that from where this debate started to where it ended up Speaker Boehner drove this farther than the President or Harry Reid did. Remember at the beginning Senate Democrats in the White House wanted no cuts from the 2010 budget. They've now agreed to almost thirty-nine billion. Senator Schumer was just talking about taxing oil and gas companies. That was also part of the initial Senate Democratic bid. That issue was completely pushed aside. He's now re-- resurrecting it. But Republicans know if that debate or that argument didn't work the first time it's unlikely to work the second time. Internally, House Republicans feel, well, they didn't get all that they wanted they got more than they expected.

BOB SCHIEFFER: I-- I-- you know, I'm not into this who won and who lost business. I don't think anybody won quite frankly. And I'll have more to say about that later. But I-- I would have to say this. I think probably Speaker Boehner had the hardest job here didn't he, because it wasn't just the Republicans against the Democrats. It was Boehner, kind of in between because he had all these Tea Party people on his right.

NANCY CORDES (Congressional Correspondent): He did but it also gave him great leverage because he was able to go to the White House and say look you're going to need to give because I have got these Tea Party folks and they are not going to be happy unless you meet me halfway. I think he said at one point, you know, thank you, Tea Party members, for putting me in this box. He ended up going in there asking for a lot and got more than halfway to where he wanted to go.

MAJOR GARRETT: And I wrote on Friday afternoon, Bob, after the first Republican conference meeting about four o'clock in the afternoon, many of the freshmen said Mister Speaker go cut us a deal. We have-- you have our back-- we have your back. Whatever you come back and tell us is the deal we will accept. And Austin Scott is the president of the 87-member freshmen class, said sight unseen whatever you bring back I trust. I personally will support. It was a key moment for Speaker Boehner because he was then able to say, all right, I have a deal and it can hold.

BOB SCHIEFFER: Do you-- do you think, Nancy, there is some talk that they will take this Ryan plan, the Paul Ryan plan which calls for cutting what six trillion dollars out of the budget over the next ten years and really does overhaul Medicare and Medicaid. There's some very serious changes in this. Some on the Republican side are talking about just attaching that to the debt limit bill and-- and-- and having a vote on that. Do you think that's what's going to happen here?

NANCY CORDES: Well, I think you can see that the White House is worried about that because they were hoping to put off this fight over Medicare and Medicaid and Social Security until after the Presidential election. Now you hear David Plouffe saying the President is going to come out and talk about it this week. They know Republicans are going to engage on this issue no matter what and they've got to be prepared to fight against it.

BOB SCHIEFFER: Do you think in fact, Major that some Democrats may be praying they attach that to the-- to the vote because then they can say look what these mean old Republicans are doing?

MAJOR GARRETT: Certainly. And I think House Republicans know that's probably a bridge too far this soon on the debt ceiling vote. But they want things that change the way Washington builds its budget. There might be other process reforms going to a two-year budget cycle, doing other things that put a higher premium on balancing the budget or reducing spending as opposed to increasing budget baseline. I know that's a bit walky, but I think that's where House Republicans are heading. The other thing is last week Charles Schumer said John Boehner was the reasonable Republican to deal with. John Boehner has one of the most conservative voting records in the history of Congress. So for Democrats to say and now portray Speaker Boehner as the voice of reasonableness against the Tea Party when the divisions with John Boehner and the Tea Party were miniscule in the end anyway, I think puts Republicans at least for now in a stronger position than they were and the assumptions that they would be divided and unable to govern are less true than they were may be two months ago.

NANCY CORDES: And I think they've come up with a couple of negotiating tactics that really work for them when as they like to say the only control one third of the government. First of all, they asked for the whole enchilada. You know, they have these forty or fifty riders on all these sensitive social issues and they were able to just hand those in one by one on Planned Parenthood and on the EPA and get another billion in cuts and other billion in cuts each time. So-- so that really worked for them. And they showed they were willing to go right up to the brink on a government shutdown to get their way and that's something they may repeat when it comes to funding the government with the debt ceiling.

MAJOR GARRETT: One other quick point going forward, Bob. I think the President's announcement through David Plouffe today that he will put together the speech on entitlement reform and other budgetary issues begs a very important question. With that speech, will the President essentially be discounting the budget he submitted to Congress? Because on-- in this

fight, the President's already given ground. He originally said freeze 2011 spending, but cut nothing from the 2010 enacted budget. He's now cutting that by almost thirty-nine billion dollars. If he talks about significant entitlement reform that was not in his budget. Does that budget he submitted to Congress become by his own word and action essentially a dead letter?

BOB SCHIEFFER: One of the things in the Paul Ryan plan is this plan to basically overhaul Medicare and go back-- make it into private insurance that seniors would have options to buy and then there would be federal subsidies. That's totally--

MAJOR GARRETT (overlapping): Something called premium support, yes.

BOB SCHIEFFER: Yeah. It also calls on Medicaid, which is the aid for poor people, it just simply does away with it, sends that money in block grants--

MAJOR GARRETT (overlapping): Yes.

BOB SCHIEFFER: --to the states and let's the state-- and lets the states administer it as-- as they choose. Do either of you think that either of those proposals can apply in the United States Senate?

MAJOR GARRETT: Well, I think Medicaid has a chance. Although, there are some conservatives who don't believe block granting is a good idea. And there are many governors, Republican and Democrat, who don't want the responsibility of handling that block granted money for Medicaid. They would like the money but they also know that it will become a great responsibility to deliver those services and all the political risks would come with their administering of Medicaid. So that's something that is idea that works great theoretically, but as far as practical politics, I'm not sure it works out. Moving Medicare from what free from service to premium support is an enormous title shift in the way that the government deals with elderly health care. That's an awfully ambitious thing. Paul Ryan is trying to move it in that direction if he gets halfway that far, he'll probably accept that.

NANCY CORDES: It's dead on arrival in the Senate in that form because what Democrats say is that the greatest leverage that Medicare has to bring down prices overall is that it's so big and covers so many people. If you take that money and send it all to the private sector, you basically give up any leverage the government has to bring down prices.

BOB SCHIEFFER: All right. Well, thanks to both of you. But one things for sure, you're both going to have plenty to do.

NANCY CORDES: No doubt. No doubt.

BOB SCHIEFFER: I'll be back in a moment with some final thoughts.

(ANNOUNCEMENTS)

BOB SCHIEFFER: Finally today, I am glad that Washington found a way to avoid shutting down the government, but excuse me for not applauding. When we were involved in three wars, the country was in a recession and people are out of work, you don't have to be too smart to know this is not a good time to shutdown the government and figuring that out is no reason to offer congratulations. I hate to paint all of them with the same brush.

There are some fine and serious people in Congress and in the White House too for that matter. But Washington has become more than dysfunctional. Its inability to act has become disgraceful. If Washington had been willing to meet its responsibilities, the two sides would have resolved this last year. Last week's argument was last year's argument or should have been.

But there was an election last year and all sides were happy to put off the hard choices which brought us to this remarkable year in which Congress has been in session since January and managed to do absolutely nothing. I don't know about you, but where I work, every once in a while they expect us to do something. It doesn't seem to be a requirement in official Washington and now they are talking about who won and who lost this epic battle.

Don't they understand there were no winners and losers. They just wasted a lot of time with partisan posturing until they were forced to do what they should have done last year that is nothing to brag about and certainly nothing to applaud.

Back in a minute.

(ANNOUNCEMENTS)

BOB SCHIEFFER: And that's it for today. We'll see you right here next week on FACE THE NATION. Thanks for being with us.

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.