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

CBS News

FACE THE NATION

Sunday, October 12, 2008

**GUESTS: Senator LINDSEY GRAHAM
Republican, South Carolina**

**Governor BILL RITTER
Democrat, Colorado**

**Mayor DOUG WILDER
Democrat; Richmond, Virginia**

**Representative ADAM PUTNAM
Republican, Florida**

**Dr. C. FRED BERGSTEN
Director, Peterson Institute for International
Economics**

MODERATOR/PANELIST: Mr. Bob Schieffer – CBS News

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BOB SCHIEFFER, host:

Today on FACE THE NATION, the presidential campaign and the Wall Street meltdown.

Twenty-three days and counting till Election Day, and Barack Obama has opened the lead over John McCain. What's next? Will the campaign turn even nastier? Are voters, worried about the economy, even listening? All questions out in the battleground states for Doug Wilder, the Democratic mayor of Richmond, Virginia; Colorado governor Bill Ritter; Republican congressman Adam Putnam of Florida; and one of John McCain's closest advisers, South Carolina senator Lindsey Graham.

We'll try to sort out the economic news with Dr. Fred Bergsten, director of the Peterson Institute for International Economics. Then I'll have a final word on the search for good news. Actually, I found a little.

But first, the battleground states of campaign '08, 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, it is still a close race, but any way you cut it the news for Barack Obama this morning is good news. Two polls, The Hotline and Newsweek, now show Obama with a double-digit lead nationally, and he is leading by smaller margins in the other national polls.

(Graphic on screen)

Recent Polls

	The Hotline	Newsweek
Obama	50%	52%
McCain	40%	41%

SCHIEFFER: The news from the battleground states is also good for Obama. He has leads in Florida, in Virginia and Colorado, all states that went Republican last time, and he is in the margin of error in North Carolina, which also went for Bush the last time. Among the key states that John Kerry won for the Democrats last time, Obama has opened what one poll says is a double-digit lead in Pennsylvania. McCain is still up by a little in the key state of Ohio. No Republican, of course, has won the presidency without Ohio. And McCain is still up in Missouri.

To talk about where it all goes from here, first let's go to Lindsey Graham, one of Senator McCain's closest advisers.

Senator, the good news for Senator McCain today, well, there doesn't seem to be very much of it. But, well, is there some good news out there for him?

Senator LINDSEY GRAHAM (Republican, South Carolina): Yeah. I think we're going to have a debate Wednesday where John can be able to show the public where he will take this economy

that's hurting by keeping your taxes low and not increasing spending, and compare the records of Senator Obama when it comes to taxing and spending and use the debate with you to make sure that America knows that this candidate, Senator Obama, who's masquerading as a centrist, is anything but a centrist when it comes to taxing, spending and social policy. And at the end of the day, I think we're going to be choosing between two candidates who have a different view of where to take America.

And the one thing I would like to say about this week is I think the campaign hit an all-time low, from my point of view, when you have a statement issued by John Lewis from Georgia saying that Senator McCain and Sarah Palin are conducting themselves in a way like George Wallace, inspiring hatred, is an absolute offense to people like me who are close friends of John McCain, to all of his supporters, and we're not going to be intimidated by this playing the race card simply because Senator Obama's record has been attacked in a very fair way. The rhetoric and the record don't match when it comes to Senator Obama, and this is not going to work. It may have worked with the Clintons...

SCHIEFFER: All right.

Sen. GRAHAM: ...but it's not going to work with us.

SCHIEFFER: Well, I think, Senator, you'd have to admit that in some of these rallies the campaign--the mood has turned rather sour, some people would say quite mean. Just Friday, when Senator McCain was at one rally, one man got up and said he was scared of an Obama presidency. Senator McCain had to tell him, 'No, you don't need to be scared.' And when he said that, people booed. And then there was this. Listen to this.

(Beginning of excerpt from October 10)

Unidentified Woman: I can't trust Obama.

Senator JOHN McCAIN: I got you.

Woman: I have read about him, and he's not--he's not--he's a--he's an Arab. He is not...

Sen. McCAIN: No, ma'am. No, ma'am.

Woman: No?

Sen. McCAIN: No, ma'am. No, ma'am. No, ma'am. He's a--he's a--he's a decent family man, citizen that I just happen to have disagreements with on fundamental issues, and that's what this campaign is all about. He's not. Thank you.

(End of excerpt)

SCHIEFFER: So, Senator Graham, apparently even John McCain thinks this thing may have gotten over the line.

Sen. GRAHAM: Well, let me tell you about being over the line. Millions of dollars of money have been spent by Obama against Senator McCain attacking stem cell research proposals that are quite frankly a lie. This--his campaign is awash with money because he broke his word to--he opt out of public funding. We can't be responsible for what one person says at a rally surrounded by a thousand, but John McCain has never conducted himself in any way to incite hatred. He has compared his record to that of Senator Obama in a fair way, in a firm way, and we'll keep doing it. But the idea that John McCain and Sarah Palin are conducting themselves like George Wallace is just incredibly offensive to me and all those who support Senator McCain.

SCHIEFFER: All right.

Sen. GRAHAM: And we're not going to take this.

SCHIEFFER: All right, well...

Sen. GRAHAM: We're going to challenge Senator Obama's record vs. his rhetoric.

SCHIEFFER: All right. Well, let's get another point of view here.

Doug Wilder, former governor of Virginia, now the mayor of Richmond.

Mayor DOUG WILDER (Democrat; Richmond, Virginia): Good.

SCHIEFFER: Has the McCain campaign gone over the line?

Mayor WILDER: You know, when you hear Senator Graham say that they can't be responsible for one person putting the cover all over the McCain campaign, yet he just put Obama down because of what John Lewis had to say. This campaign is about change. It's about bringing the American people into be a part of what's going on. And I think a lot of people say--see it. You mentioned at the first outset of this program that things aren't going too well for the McCain campaign. And why? They're not talking about issues. They're not talking about resolving those issues. They're not talking about making life better for the American people. They're not talking about what to do with the economy, to rebuild our infrastructure, to build roads and bridges, and how to put people together rather than to divide them. I don't think it's important to determine who went over, who didn't go under. The American people are really concerned is who is with them. It's amazing when you look at what's going on and the young people who are involved. Driving up here from Richmond today I see all of the bumper stickers on people, and I look to see who's driving those vehicles. They're not African-Americans, they're not necessarily minority groups. People recognize that this country has not gone in the right direction in the last seven and a half years.

SCHIEFFER: All right. Well, let's go down to Florida, Tampa; Congressman Adam Putnam is down there. He's part of the Republican leadership in the House of Representatives, Republican.

Congressman, is this about the economy or is it about some of these other things?

Representative ADAM PUTNAM (Republican, Florida): Well, you know, clearly here in Florida this is virtually ground zero for the economic and housing anxiety that's out there, and there is a

deep well of support for John McCain. John McCain was the only man who went to the last debate with specific proposals to relieve some of the anxiety on the average homeowner. John McCain has deep support among the military retirees who've settled here in Florida, he has great support in southeast Florida among the pro-Israel community. And here in the I-4 corridor, which is my congressional district, the swing district of a swing state, he is polling a number of points ahead of Barack Obama. And the--this is an area, this area between Tampa and Orlando, that he has to win to win the state, and he continues to do well.

SCHIEFFER: But he doesn't seem to be leading--he doesn't seem to be leading in the Florida polls overall. I mean, it's my understanding that Obama has opened a small lead down there.

Rep. PUTNAM: Obama has had a good couple of week and has opened up a small lead, but we have a long way to go and I think John McCain is going to retake that momentum with this upcoming debate. He's going to retake the momentum in the--in Florida because of his specific proposals that will improve the economy, that will support small businesses. You know, Barack Obama thinks that we need to increase taxes on small businesses in order to save small businesses. This is a state that's very dependent on mom-and-pop operations, and they understand that that's just not going to work.

SCHIEFFER: All right. Well, out to Colorado now and Governor Bill Ritter. He is a Democrat, of course.

Governor, the Republican Party chair out there, I understand that Dick Wadhams says that Senator McCain shouldn't let up on Barack Obama and his associations with people like Reverend Wright and this fellow Ayers, the anti-Vietnam protester. What's your sense of it? Because I know that Obama does seem to have a small lead out there.

Governor BILL RITTER (Democrat, Colorado): Yeah, I think he has about a 4-point lead in most of the polls. That's a nice trend for him in the last few weeks. And really, that would be, I think, typical of Dick Wadhams to think that that kind of negative campaigning would set well. The fact of the matter, in Colorado this is going to be decided by independent voters, and independent voters care about the economy. They've watched McCain over the last few weeks behave erratically where the economy was concerned and where his response is concerned. Obama, on the other hand, has shown just this steady, consistent way of responding. He's thoughtful, he is specific, and I think that's really--not just in Colorado, but around the country--where you see these swing states trending for Obama, it's because of the great contrast and their different styles of leadership as they campaign about the economy.

SCHIEFFER: How long has it been since a Democrat has actually carried Colorado?

Gov. RITTER: In 1992, Bill Clinton carried it. I think it was maybe 40 years before that before--when another Democrat carried it. So it's only been a couple of Democrats in the last 50 years, and Clinton in '92. Not in '96, though.

SCHIEFFER: All right. Well, we're going to take a break here. We'll come back and talk about all of this and more after one minute.

(Announcements)

SCHIEFFER: And we're back again with our people in key states.

Senator Graham, Mike Allen of Politico says that Senator McCain is considering unveiling some new economic proposals. Do you know anything about that?

Sen. GRAHAM: Yeah. We're going to talk this afternoon, but I think it goes along the lines that now is the time to lower tax rates for investors--capital gains tax, dividend tax rates--to make sure that we can get the economy jump-started. The worst thing we could do now, Bob, is to increase federal spending and to increase taxes on small business, like Senator Obama would propose, or mandate from the federal government health care requirements on individuals and business with fines if you don't comply. So it will be a very comprehensive approach to jump-start the economy by allowing capital to be formed easier in America by lowering taxes.

SCHIEFFER: But no more bailouts.

Sen. GRAHAM: Yeah. What we believe, the \$700 billion that will be interjected into the economy needs to go to Main Street, not just Wall Street. So if you're in a home now where you owe more on the home than the home's worth, adjustable rate mortgages are coming into play now, we'd give people a chance, for a primary residence, to refinance your home at the actual value.

SCHIEFFER: All right.

Sen. GRAHAM: So that you would not owe more than the home is worth, and give you a fixed rate to help you make the payments and help our economy. I think that's a very wise move at this time.

SCHIEFFER: All right. Well, we'll wait and see what this turns out to be.

I want to go back to you, Governor Wilder. You know, Barack Obama has this lead, but a lot of people say that when a minority candidate is on the ballot they--that voters don't always tell the truth to pollsters, that sometimes they do in the booth, after that curtain is closed, what they have not told the pollster that they're going to do. Do you see any of that effect here at play?

Mayor WILDER: I see it diminishing, and the reason that I pointed out to the people that I see supporting Senator Obama and how they identify the numbers of people who've contributed. It had--it happened in my election. I had double-digit poll numbers. But I want to point to you that in my election, my internal polls had me no higher than plus or minus two all throughout. I knew it was going to be close. The one caution that the Obama people ought to have today is not to be overconfident and not to believe that anything is won. It is not won.

To dispel the myths about him being able to raise taxes on the backs of the small businesses when particularly only 90--only 95 percent of the people won't be taxed at all. To the contrary, they'll be having some relief. When you--when you look at what his plan is, if you're making \$250,000 you won't be taxed a penny. And so I think he needs to stay with the issues. He needs to let people know--and I say it's diminished a great--a great number of people have seen differences because one, they've seen African-Americans in position of leadership. They've seen

what they could do after they got there. They've seen people at secretary of State levels, at governors levels and judicial levels. We are an experiment in democracy in this country, and people are beginning now to see, can we do it? Yes. Is America ready? Yes. And that can be shown if we work.

SCHIEFFER: Adam Putnam, down there in Florida you say it's about the economy down there. Is Sarah Palin any kind of a factor one way or another down there in Florida?

Rep. PUTNAM: Sarah Palin has been a huge energizing force in Florida. We have seen record crowds in the tens of thousands going into large cities, large retirement communities, people of all ages willing to stand in the hot Florida sun for hours on end to catch a glimpse and to hear from a remarkable governor and someone who can be a remarkable vice president. So she is a very powerful motivating force down here. We just can't get enough of her.

SCHIEFFER: So you'd like Sarah to come back?

Rep. PUTNAM: Absolutely. She is--from one end of the state to another, from the diverse communities in southeast Florida around Miami to the--to the panhandle of Florida, everyone really--she can draw an unbelievable crowd.

SCHIEFFER: All right.

Rep. PUTNAM: And has been a huge--a huge momentum builder for the McCain campaign.

SCHIEFFER: I want to ask Governor Ritter the same question. What kind of an impact is she having out there, Governor?

Gov. RITTER: Well, I think she had an early impact. Actually, Sarah Palin and I are both--we're freshman governors. We came in at the same time, 2007, inaugurated in the same month. And so I think early on there was an impact, actually, and that kind of leveled the playing field for a little while. And this distancing we've seen between Obama and McCain and Obama going ahead, I think, is some sign that the sheen has come off a little bit, the gloss has come off of Sarah Palin and people are really paying attention to the economy.

I just want to say one thing about small businesses, because in Colorado it's an economic driver, and Senator Graham is absolutely wrong. Senator Obama has a plan around small businesses, and it's really about how you ensure that they continue to be an economic driver, how you look at tax policy to give them tax breaks, but also how you energize the Small Business Administration to go back to doing things we did right after 9/11 specific to places that 9/11 impacted, and say nationwide we're going to utilize that same means for really rescuing small businesses.

SCHIEFFER: All right. Well, I want to thank all of you...

Sen. GRAHAM: Governor, you undoubtedly...

SCHIEFFER: ...for a very enlightening discussion this morning. We--we're simply out of time.

Sorry, Congressman.

We'll be back in a minute to talk with an expert on this whole economic situation.

(Announcements)

SCHIEFFER: With now is Dr. Fred Bergsten. He's director of the Peterson Institute for International Economics. He's been meeting with the finance ministers from the major industrial companies that have been here in Washington meeting.

I saw one thing that said you were perhaps the most quoted international economist. Where are we, Doctor? Are we in a recession? Are we headed toward a recession?

Dr. C. FRED BERGSTEN (Peterson Institute for International Economics): The United States is almost certainly in a recession. I don't think we're headed toward a world recession, though we're clearly slowing down. What we are is in the midst of a crisis of confidence. The financial markets are near panic, they need reassuring steps from the governments and the central banks to get them back into a positive mode. The governments and central banks need to take a series of very specific measures to get the credit markets functioning again, to get the banks lending again, to get the economy moving forward again. We need those decisions in the next day or two to get confidence back on track.

SCHIEFFER: Well, we did not seem them come to any real agreement during this meeting here in Washington, did we? Or did we?

Dr. BERGSTEN: We did, in a sense. The countries here in Washington agreed on several basic principles that will guide their actions. Most of those actions have to be implemented at the national level anyway: bank regulation, putting new capital into banks, guaranteeing deposits of citizens. Those things have to be done at the national level. The test is now whether the individual governments, including our own, including the Europeans meeting in Paris right now, are able to put specific measures in place that implement those principles and restore confidence. I think there's a good chance they will. They know the three or four things they need to do. I have good confidence that they will put them in place over the next few hours.

SCHIEFFER: We saw the government take these extraordinary measures, the \$700 billion rescue plan and so on, the infusion of more capital into banks, and yet the market just keeps going down. What's happening here?

Dr. BERGSTEN: I think the measures so far have been piecemeal, taken one at a time; they've been done purely at the national level, not coordinated internationally; and they have not been explained and communicated very well. Part of that's understandable, this has happened so fast. But they have to now put a comprehensive package in place at each national level, indicate how they fuse together in terms of restoring global confidence. That's the trick. And I think there's a good chance that they will do it. But that'll be the test. We have to see that now over the next day or two and going into next week.

SCHIEFFER: I suppose nobody can answer this with any certainty, but is it your sense that the market is beginning to bottom out, or is there more bad news ahead?

Dr. BERGSTEN: I think there's both. I think there is still bad news ahead, particularly in terms of the economic turndown, but I think the market may be near a bottom. If the governments can be seen now as getting on top of the issue in a comprehensive way, I think we could have a turnaround. In fact, I think we could have an explosive upside rally in the markets as we did for most of the day in the stock market here on Friday.

SCHIEFFER: Is there any good news?

Dr. BERGSTEN: The good news is that the authorities are on the case. They're clearly and fully aware of the problem they face, both its gravity and now I think the nature of what they have to do: put new capital in the banks, insure everybody's deposits so they won't run on banks, guarantee you--lending among the banks themselves so the banks will start fueling the economy again. I think the authorities know what to do. I think they are now in a position to do it and do it on a comprehensive basis, on an international basis. This is a global crisis, we have to have a global, comprehensive response.

SCHIEFFER: You say we're in a recession or certainly headed toward one. Should I use the word depression?

Dr. BERGSTEN: No. There is no comparison between today's situation and the depression of the 1930s. The main difference is that our authorities are on the case. The central banks are pumping money into the system. The governments are putting capital in to the system. They will take coordinated measures to stimulate growth, so it's not the 1930s by any means.

SCHIEFFER: All right. Thank you very much, sir.

Back with our final word in just a second.

(Announcements)

SCHIEFFER: And finally today, I actually found a little good news this week. It wasn't easy. It wasn't on the front page, of course. But deep inside yesterday's New York Times there was a story about a new exhibit at the New York Public Library that tells how successful the tobacco industry has been over the years at conning us into smoking. That's good news? Yes, because we have come to understand what a con it was and how far the industry was willing to go to convince us to smoke. The exhibit gave an example. In 1929, when only loose women were thought to smoke, the industry put a PR man named Edward Bernays on the case. He convinced 10 genteel ladies to smoke cigarettes while marching down Fifth Avenue in the Easter Parade. The newspapers ate it up, pictures appeared across the country, and suddenly it was acceptable for ladies to smoke outdoors. And of course, they did.

Today one-fifth of all American women still smoke, and they have come full circle. In most places they can only smoke outdoors, and the young of both sexes crowd the sidewalks of our big cities. The heartening thing, of course, is that smoking is not nearly as popular as it once was, and most of us have figured it out that smoking is the single most preventable cause of death; that the third of all cancer deaths are caused by smoking. But what a con it was, and what saps we were to buy it for so long.

That's it for us. We'll see you next week right here on FACE THE NATION.

