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

CBS News

FACE THE NATION

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**GUESTS: Representative BARNEY FRANK (D-MA)
Chairman, House Financial Services Committee**

**Senator RICHARD SHELBY (R-AL)
Ranking, Senate Banking Committee**

**Governor BOBBY JINDAL
Republican, Louisiana**

**Mr. NEWT GINGRICH
Former House Speaker**

MODERATOR/PANELIST: Mr. 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, should the failing auto companies get a bailout? And what is the future of the Republican Party?

Close to collapse, Detroit's Big Three are calling on Congress to bail them out. What would happen to the economy should one of them go under? And will a bailout happen? If a bailout passes, will other failing industries get in line? These are the questions for Congressman Barney Frank, the Democrat of Massachusetts who's leading the bailout effort for the Democrats; and Senator Richard Shelby, Republican of Alabama. He's against it.

Then we'll talk about the future of the Republican Party with former House Speaker Newt Gingrich and Bobby Jindal, the governor of Louisiana. I'll have a final word on America's great parlor game, the transition. Who's in, who's out and who's in between?

But first, bailing out the Big Three or not, 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. He's home in Massachusetts, the chairman of the Banking Committee, Barney Frank. With us from Tuscaloosa, Alabama, this morning, Senator Richard Shelby, the ranking Republican on the Senate Banking Committee.

I want to start with you, Chairman Frank. Thanks to both of you for coming this morning.

Representative BARNEY FRANK (Democrat, Massachusetts; Chairman, House Financial Services Committee): Welcome.

SCHIEFFER: Congress is coming back into a lame-duck session this week. The purpose was to put together some kind of stimulus package for the economy. Now on the front burner, should the Big Three in Detroit get some sort of financial bailout help? But I have to be quite candid with you, Chairman Frank. I know you're for this auto industry bailout. I see no indication that Congress is ready to do that.

Rep. FRANK: Well, the House is ready to do it. I will say, with regard to your first comment, Bob, I, and I know the Democrats in the House, would much rather be dealing also with the broad stimulus package. I think there's a significant consensus that given the serious economic problems we've got--unemployment sadly racing higher, consumption down--that we should be doing a broad stimulus package. Unfortunately, we've run into resistance from the president and others, and so something that's badly needed now is probably going to have to wait until Senator Obama actually takes office. But you will get one then.

As for the automobiles, there are actually three different proposals coming forward now, all of which would result in the industry getting some short-term bridge help to see if they can dig themselves out of the hole. But you're right, they are different ones. As I understand, the administration's position is the \$25 billion that Congress already voted, that did not seem controversial at the time the president signed it, which was for the purpose of having them

become more energy efficient, the president's position appears to be to let them keep that \$25 billion but take away any of the requirements that they move to energy efficiency. I think that would be a grave error. The Democrats in the Senate have been saying, 'Well, it can be taken out of the existing \$700 billion rescue.' In the House we think that would be wrong, because that's not what it was explained as when we voted on it. I do think that \$700 billion could be used, but I think respect for democracy means you have a separate vote on it and put forward something that would be a temporary bridge loan with very tough conditions, with strong protection for the taxpayer, until we get into a new administration.

SCHIEFFER: But I--as I listen to you here, you seem to be agreeing with me that it's probably not going to happen here.

Rep. FRANK: Well, it may not be happen--Bob, you may be confident that all the predictions you make come true. I'm not. The--there's no downside to trying. And I--yes, we'll do the best we can. In the end, there's no guarantee that anything will pass. But there never is in the Congress.

SCHIEFFER: Senator Shelby, you don't want this to pass. You think the auto people ought to be allowed to go into bankruptcy, if that becomes necessary. Do you think there's any chance that this will pass the Senate, this help for the auto industry?

Senator RICHARD SHELBY (Republican, Alabama; Ranking, Senate Banking Committee): I hope not, Bob. I think this is the wrong road to go down right now. We know that there's no endgame here. We've got failing autos. General automobile manufacture--General Motors got a bad model, got bad management, no innovation on models and so forth. Now we're talking about putting 25--another 25, and who knows where it will stop, billions and billions of dollars into a system, a model that's not going to work. It's like a dinosaur, in a way. These companies need to either refurbish themselves, get new leadership, start all over, in a sense, and save a lot of jobs, or they're going--inevitably going to go under anyway, even with the help of a lot of taxpayers' money.

And lastly, though, Bob, the government--the US government; us, the people, have not heretofore chosen which companies would survive in the marketplace and which will fail.

SCHIEFFER: Well...

Sen. SHELBY: Companies fail every day and others take their place.

SCHIEFFER: I don't think--yeah.

Sen. SHELBY: I think this is a road we should not go down.

SCHIEFFER: I don't think anybody would argue with you when you say that the--these auto companies have made some big mistakes, but when you talk about the auto industry affecting one job in 10 in America, with how many things are dependent on the auto industry, can the country afford to let one of these companies going into bankruptcy?

Sen. SHELBY: I think--well, some people believe that Chapter 11 bankruptcy would be a lot better management than what they have today, where they would reorganize, they would get rid

of the management that has brought them to where they are today, bloated contracts, everything that goes with it, no profit, no products to sell to speak of. It's not the General Motors we grew up with, it's the General Motors that's headed down this road to oblivion. Should we intervene to slow it down, knowing it's going to happen? I say no, not for the American taxpayer.

Rep. FRANK: No, I don't think...

SCHIEFFER: Mr. Chairman?

Rep. FRANK: Yeah. First of all, I know my colleague said some people say--I'm always skeptical of arguments that begin "some people say." I'm not sure that the next line isn't going to be "Elvis is still alive."

Sen. SHELBY: No, I was talking about some people. It was Congressman Frank I...(unintelligible).

Rep. FRANK: Well, I understand that, Richard. But I think we ought to talk about what we believe, and the answer is this. Yes, they ought to be sped up. The question is, how much pain are you going to inflict on the economy? One of the things we have to understand is the context here. We are in a terribly weakened economy. We have this credit crisis, we have on top of the credit crisis a very serious deteriorating physical economy. It might be one thing to tolerate a bankruptcy if we had a lot of jobs out there, if there was prosperity. When you talk about the negative shock that would result from bankruptcies of these companies right now--and by the way, I wouldn't be blithe about Chapter 11. There are suppliers out there who are owed money, smaller businesses. They get hurt in a bankruptcy. There are a whole range of people who didn't make bad decisions at GM here.

Secondly, what we're talking about is the 25 billion very much coming first in any repayment. The taxpayers would be protected by the bill we're going to be putting forward. Secondly, there would be a requirement that they come up with plans both to show they can be viable and that they will in fact improve the environmental efficiency. And that's where we differ with the president, because he's apparently prepared to take the 25 billion they're already given and make that a no-strings-attached proposal rather than be one where they have to try to get more efficient. So the question is, how much pain do you inflict on an already very weakened economy by blithely saying, 'Well, let them have Chapter 11'? That's going to cause a great deal of difficulty at a time when the economy really can't stand it.

SCHIEFFER: Let me ask you this, Chairman Frank. Rick Wagoner, who of course heads GM, says that he is not willing to step aside if that is one of the conditions to getting this federal bailout. Shouldn't there be some sort of condition put on this? I mean, shouldn't...

Rep. FRANK: Yes.

SCHIEFFER: ...the taxpayers expect that maybe management is going to change if they...

Rep. FRANK: Well, we will have a number of conditions. First of all, there will be no dividends paid during the time this loan is extended, if the bill that we put forward passes. That's something you can't do if you just gave it to them out of the existing funds or if you simply reduce the

environmental restrictions, as the president's talked about. No dividends, no bonuses for anybody making more than \$200,000 a year. A very tough oversight board that, among other things, could veto ventures that would take some of this money maybe and put it overseas. As to exactly who the management ought to be, the oversight board, which would consist of the leading executive branch of officials who have jurisdiction, whether it's commerce and labor and environment and energy, they would be the ones to make these decisions.

SCHIEFFER: But you wouldn't make that a precondition, there'd have to be a change in management?

Rep. FRANK: No, because I'm not sure who I want the new management to be or how.

SCHIEFFER: OK.

Rep. FRANK: I think we give them these very strict requirements that say, look, for 25 billion it's going to get them...

SCHIEFFER: All right.

Rep. FRANK: It's divided among three companies. It gets them into the next administration before anything else can happen. Either they'll have to all pay it back and we're out of it, or they will come up with...

SCHIEFFER: All right.

Rep. FRANK: ...plans that can convince people that they can be both environmentally and economically sound.

SCHIEFFER: What about that, Senator Shelby? Do you think that ought to be a precondition if-- would that make you more amenable to some sort of bailout, if management agreed to step aside?

Sen. SHELBY: Well, I wouldn't support it anyway. But I can tell you what, management's got to go. If you--if you deal with the people who brought the failure to these companies and keep them in office, keep them in power with federal money, you're just going to have more of the same problem. Nothing's going to happen except just a downward spiral. The model doesn't work. The management is not innovative. They need to go. And they also are going to have to be streamlined, they're going to have to get smaller. They're going to have to be able to be competitive. Why are they going to the federal government, Bob? Because there's not a bank in this country that would loan a dollar to these companies, because they know their failures...

Rep. FRANK: Of course...

Sen. SHELBY: ...and the models of failure. And the government...

Rep. FRANK: Unfortunately...

Sen. SHELBY: ...now is going to go down that road, and it's a mistake.

Rep. FRANK: Part of the problem, of course, is that there are a lot of people who are perfectly sound who can't get loans from banks in this country now because we've got this terrible credit crisis. And I would hope the administration would do a better job than they've done of going to the banks that have been the beneficiaries of some funding and press them to loan to all kinds of companies. That clearly needs to be done. And I--we all agree that they need to make fundamental changes. The question is, how much pain can the rest of the economy take while those changes are being implemented?

SCHIEFFER: All right. Well...

Sen. SHELBY: It will be more pain, Bob...

SCHIEFFER: ...gentlemen, I want to thank both of you for being with us this morning...

Sen. SHELBY: Thank you.

SCHIEFFER: ...and bringing some insight into this. We're going to come back and talk some more about this and in specific, where do the Republicans go from here?

Rep. FRANK: Bob, is the next...

(Announcements)

SCHIEFFER: And we're going to talk now a little bit about where the Republican Party goes from here. And two people who are worth listening to are with us this morning: in Louisiana, the governor, Bobby Jindal; here in our studio, Newt Gingrich.

Governor Jindal, there's no question now Republicans have got a lot of work to do. What should be the first thing they do?

Governor BOBBY JINDAL (Republican, Louisiana): Bob, well, thank you for having me this morning.

Clearly, first of all we need to congratulate Senator--President-elect Obama. I think Senator McCain was very gracious on election night.

As Republicans, we need to do three things to get back on track. Number one, we've got to stop defending the kind of spending and out of control spending that we never have tolerated in the other side. You know, when voters tell us that they trust Democrats more to cut their taxes, control spending, that tells you something's wrong with the Republican Party. We've got to match our actions with our rhetoric. Number two, we've got to stop defending the kinds of corruption we rightfully criticize in the other party. The week before the election our most senior senator is convicted on federal charges, and that's only the latest example. Number three, we've got to be the party that offers real solutions to the problems that American voters, American families are worried about. We don't need to abandon our conservative principles. We need--we can't just be the party of no. We need to offer real solutions on making health care more affordable, on the economic challenges facing families, on the international threats. I think we're going to have to have a debate in this country. I'm opposed to a single payer government run health care system,

but that's not enough. We need to also show the American people that we're for tax credits, we're for using technology to emphasize preventative primary care, electronic patient records...

SCHIEFFER: Mm-hmm.

Gov. JINDAL: ...so every American has access to affordable private coverage.

SCHIEFFER: All right, Newt Gingrich, do you think that there was any way John McCain could have won this election?

Mr. NEWT GINGRICH (Former House Speaker): Oh, in theory, sure, there were ways to win the election. But I think once the Wall Street crisis occurred and once you had President Bush on television for 18 straight days, it became extraordinarily hard. By Election Day, President Bush's job approval rating was between 19 and 23 percent, so McCain ran somewhere between 23 and 27 percent ahead of President Bush's job approval. That's a--I mean, you can't ask a lot more out of a candidate than that.

But I think you're interviewing one of the people who's part of our future. When you look at the governors and you look at Governor Jindal and what he's doing in Louisiana; and you look at Governor Mitch Daniels, who won by 20 points in Indiana while McCain was losing it; you look at Governor John Huntsman, who has the lowest employment rate in the entire West in Utah, and a billion-dollar surplus last year, about a \$300 million surplus this year. There are a lot of lessons to be learned out there, and everywhere I turn I find governors who are doing a very good job. Governor Mark Sanford of South Carolina, who just took over the Republican Governors Association. So I've been through this. You know, you and I have been around long enough...

SCHIEFFER: Mm-hmm.

Mr. GINGRICH: ...I've been through the '64 collapse when the Republican Party was going to disappear, and the '74 Watergate collapse when the Republican Party was going to disappear, and the '92 defeat of President Bush. And in each case, I watched us within a short time focus on new ideas and new solutions, and within a very short time come back as a stronger and healthier party.

SCHIEFFER: So what happened, Governor Jindal, at the Republican Governors conference there, where you heard what Newt Gingrich just said, it turns out that Sarah Palin...

Gov. JINDAL: A lot...

SCHIEFFER: ...stole the show. Was that a good thing for Republicans?

Gov. JINDAL: Well, a couple things. One, I think it's great for Republicans to have governors and others speaking out. We need as many--as many messengers. But it's not the messengers, it's the substance, it's the message that's important. I know the pundits want to start looking at 2012. What's more important is what the speaker said, he's exactly right. Remember when he became speaker in the '90s? You had governors solving problems in states across the country, you had governors in Utah, Michigan, Wisconsin, for example, championing welfare reform. You had Republican governors saying, `Let's actually help people go back to work, help them get education. Let's believe in the American dream. Let's believe that every American wants a better

quality of life for their families.' Critics said it wouldn't work. They brought those ideas to Washington, we saw the largest drop in poverty rates...

SCHIEFFER: Mm-hmm.

Gov. JINDAL: ...largest drop in teenage pregnancy rates across the country. I think the challenge for the Republican Party is to be gracious, work across party lines every chance we can, but to stand on principle when we disagree with the new administration. But most importantly, to offer real solutions. I think governors can offer examples of what works across the country, and that's what this RGA meeting was about.

SCHIEFFER: May--maybe my memory's playing tricks on me, but I thought I asked something about Sarah Palin there.

Gov. JINDAL: Oh, well, sure, no, I think it's great that Sarah Palin is speaking out. I think it's great that the governors that the speaker mentioned were--are speaking out. I think the future--I think the governors are going to play a great role and I think that, you know, our folks in Washington are going to have important work to do. But I don't think all the answers and wisdom are going to be in Washington, DC, so I think it's a great thing that she's speaking out. I think...

SCHIEFFER: How do you feel about that...

Gov. JINDAL: ...we're going to need multiple governors.

SCHIEFFER: How do you feel about that, Mr. Gingrich?

Mr. GINGRICH: Oh. I mean, first of all, Governor Palin is a real asset to the Republican Party. She brought enormous energy to the party. She attracted very large crowds. But I would say, for example, the Republicans who are about to face this question of how do you get the economy growing again, bring in Governor Daniels and bring in Governor Huntsman and ask them, you know, how did they get to the lowest unemployment rate in their respective regions? Go back to a principled approach. If you want to understand health care, you could do a lot worse than to bring in Bobby Jindal, who may be--may well know more about health policy than any other elected official in America and is doing an extraordinary job in Louisiana. If you want to look at education reform, you look at Governor Perdue in Georgia, you can look at Governor Haley Barbour in Mississippi. There a lot of people doing smart things. The natural pattern of the news media is going to be--they know how to spell Sarah Palin's name, they've got it locked in the word processor. She's going to be a much bigger story in the short run. But I think as she goes back to being governor and as she works in Alaska, you're going to see a group of governors emerge, not just Sarah Palin. And there are 36 governorships up in 2010, and I think focusing on rebuilding the Republican Party from state legislature and governor to Senate and House is the right model, and I think that the Republican Governors Association is probably more important than the Republican National Committee in trying to get this done.

SCHIEFFER: So you do not see her as the de facto leader in the party at this point?

Mr. GINGRICH: No. She's a wonderfully intelligent, aggressive, hard-working person who got hit--you know, hammered very badly by the press in I think fairly distorted ways. But I think that

she's going to be a significant player, but she's going to be one of 20 or 30 significant players. She's not going to be the de facto leader.

SCHIEFFER: I want to run by a couple of statistics by both of you. In 1980, Ronald Reagan got 14 percent of the black vote. This year, John McCain got 4 percent. Now, that's understandable, you had the first African-American candidate and I think both of you would agree he was a very good candidate who ran a good campaign. But look at the rest of this. Ronald Reagan got 37 percent of the Hispanic vote, George Bush got 44 percent; John McCain, 31 percent. Ronald Reagan in 1984 got 61 percent of the youth vote, John McCain got 32 percent. Now, doesn't that tell you that...

Mr. GINGRICH: Well, wait a second, Bob. Come on.

SCHIEFFER: ...you have been concentrating on the wrong things here?

Mr. GINGRICH: No, wait a second. You take Reagan's greatest re-election in '84 and McCain's defeat and you compare them, and guess what? The guy who lost got fewer votes.

SCHIEFFER: Well...

Mr. GINGRICH: But that was Reagan's greatest single vote. Now, I'd--look, I think we...

SCHIEFFER: But doesn't that mean that you're...

Mr. GINGRICH: Yeah.

SCHIEFFER: ...concentrating--haven't you put too much emphasis on social issues here...

Mr. GINGRICH: Wait...

SCHIEFFER: ...and not enough on issues that...

Mr. GINGRICH: No. You know what the number one issue was this fall? The number one issue this fall was that the Bush administration had failed, OK, and that the Republicans in the House and Senate had failed. This was a performance election. You're a 20, 25, 30-year-old person and you look at this mess, and you say, 'Gosh, do I like this attractive, new, articulate candidate named Obama who's for--who's for change we can depend on, or do I want to vote for the party that's just been failing?'

Now, I think we have temporarily a big problem. I think if President-elect Obama is brilliant and committed and lucky, he might well consolidate that vote. On the other hand, if they watch what you just had in the first half of this show, and you end up with Congress bailing out billions to failing companies and those 20-year-olds and 30-year-olds start to figure out they're going to pay the taxes, they're not getting the billions, I think you might find a lot of dissatisfaction by next summer.

SCHIEFFER: How about you, Governor Jindal? What about this bailout?

Gov. JINDAL: Well, I think the speaker's right. I think the American voters, American taxpayers are rightfully skeptical. You go back to September, what we heard from Washington was it was absolutely urgent that they pass this bill right away, and then since then we've heard multiple different explanations of how they're going to spend this money. I think taxpayers are right to say, one, we're the ones that are going to be paying the bills. Secondly, they're looking for competence. I think this election certainly shows us that the American people--I think we still live in a center-right country, but they're looking for competence, they're looking for real solutions.

To your earlier question, I think the Republican Party needs to fight for every single vote. I don't believe that you win or lose elections based on identity politics. I think you build majority coalitions by showing that we want every single American to be able to live the American dream, and I think we do that by offering real solutions. I think as we do that, we can do what Reagan did. He got those so-called Reagan Democrats to vote for a Republican candidate not based on party affiliation, but because he had the best ideas, the best qualifications to help them send their kids to better schools, earn more in their careers and have access to affordable health care.

SCHIEFFER: So what he is saying, and I think you agree, people voted against incompetence, not against ideology.

Mr. GINGRICH: I think that's right. And if you look at the...

Gov. JINDAL: Well, I...

Mr. GINGRICH: ...senator--let me just say for a second, Bobby--if you look at Senator Obama's campaign...

Gov. JINDAL: Sure.

Mr. GINGRICH: ...he's promising a middle-class tax cut. That was a Reaganite position.

SCHIEFFER: All right. Well, gentlemen, I want to thank you both very much. Very much.

Mr. GINGRICH: I think that...

SCHIEFFER: Thank you very much, Governor. Thank you, Mr. Speaker.

We'll be back with some final thoughts in just a minute.

(Announcements)

SCHIEFFER: And so the great parlor games have begun. The news that Barack Obama is considering Hillary Clinton for secretary of state makes it official: the transition, that period between administrations, that time of high hopes and great speculations about who's going to do what, is under way.

Transitions used to be fairly simple, but underline "used to be." After George Washington left town, for example, his servants got drunk and tore up a lot of stuff before John Adams took over,

but that was the only real problem. As recently as 1960, Jack Kennedy ran his transition from his Georgetown home, picked his Cabinet officers in his living room, introduced them to the press on his front porch and his dad paid for the whole thing.

But everything changed when the government began appropriating millions of dollars to pay for transitions. Ronald Reagan won an election by promising to reduce the size of government, but he brought thousands of transition advisers to Washington, discovered to his embarrassment he had created Washington's fastest growing bureaucracy and had to ask for more money to pay the rent on all those offices. Bill Clinton's largely wasted transition is best remembered for turning up would-be nominees who employed illegal aliens as nannies. Smooth transitions are better than bad ones, but it is worth remembering that Clinton and Reagan survived bad ones and eventually got a lot done.

So settle back and enjoy the parlor games. I mean, is it really going to be Hillary? Back in a minute.

(Announcements)

SCHIEFFER: And that's our broadcast for today. We'll see you next week, right here on FACE THE NATION.

