

News; International

Health Care Deal?; Are Tanning Beds Dangerous?; Dangerous Drugs; Competing Healthcare Ads Get Sharper; President Obama Jokes about Newsweek Cover; White House Wants Compulsory Civilian Service; Congressman John Barrasso Talks about Obama's Healthcare Plan; California Governor Signs New Budget Deal

Lou Dobbs, Dana Bash, Ed Henry, Brian Todd, Kitty Pilgrim, Candy Crowley, Bill Tucker, Casey Wian
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LOU DOBBS, HOST: Wolf, thank you. Good evening, everybody.

Some conservative Democrats have ended their rebellion against the president's health care plan. Other Democrats however are criticizing the deal that ended the revolt. We'll have the very latest on a continuing showdown, perhaps a breakdown over health care.

Also, President Obama strongly defending his economic policies and his massive stimulus package, but critics say that package is damaging the economy. And that's the subject of our "Face Off" debate here tonight.

Troubling new evidence that tanning beds are a major threat to public health along with cigarettes and asbestos. It's that bad. We'll have a special report.

And among our guests one of the Senate's top Republicans, Senator John Barrasso, he's also a physician. We'll be getting his assessment of the president's health care plan, the economy and other issues.

But first, top Democrats claiming significant progress in their push for health care legislation -- some so-called Blue Dog Democrats in the House today reached a deal to cut the cost of the president's \$1 trillion health care plan, but those Democrats immediately faced criticism from other Blue Dogs, liberal Democrats and also Republicans. Meanwhile, still a deadlock in the Senate on the issue of health care -- Dana Bash has our report from Washington.

(BEGIN VIDEOTAPE)

DANA BASH, CNN CONGRESSIONAL CORRESPONDENT (voice-over): Conservative Democrats unhappy with their party leader's health care plan didn't get everything they wanted but enough.

REP. MIKE ROSS (D), ARKANSAS: We got significant concessions in two weeks of very long talks that lasted day and night.

BASH: Concessions like delaying a full-House vote until the fall.

UNIDENTIFIED MALE: We believe every member of Congress should have the opportunity to not only read the bill but to spend the month of August visiting with their constituents about it. BASH: Not all conservative Blue Dog Democrats are on board. But four did reach a deal with Democratic leaders and the White House chiefs of staff that lifts the brakes they put on committee action. Some specifics on the deal, first there's overall cost.

UNIDENTIFIED MALE: It cuts the cost of the bill significantly by over \$100 billion.

BASH: Conservative Democrats say they have trimmed the price tag of the health care bill to just under a trillion dollars. Much of that savings comes from shaving health care subsidies for low income Americans. Another issue many conservative Democrats said their party's plan mandating businesses provide or help pay for health coverage would hurt small businesses, so Democratic leaders agreed to exempt small businesses with payrolls of \$500,000 or less.

And there's this. Many conservative Democrats say a government- run health care plan in their party's

proposal would have an unfair advantage over private insurers because it ties payments to hospitals and doctors to Medicare rates which tend to be lower. Democratic leaders agreed to change that and allow the secretary of Health and Human Services to negotiate rates for a government-run plan. And conservative Democrats say party leaders agreed to allow state-run nonprofit cooperatives to offer health coverage in addition to a government-run plan.

(END VIDEOTAPE)

BASH: But this deal has not even come close to ending the ugliness and division among House Democrats. Some conservative Democrats within minutes of this deal being announced said it didn't go far enough to control health care costs. On the other side of the spectrum some liberal Democrats simply say it cuts too much.

And everyone, Lou, is still watching and waiting to see what happens in the Senate where bipartisan negotiators are reporting progress though today one of three Republican negotiators under GOP pressure to bail from talks, he bristled at reports that a yield is imminent. Republican Senator Mike Ensign (ph) emphatically insists quote "there are still a lot of outstanding issues" -- Lou.

DOBBS: All right, Dana, thank you very much -- Dana Bash.

Congressional Republicans immediately hammering that so-called group of Blue Dogs for reaching a compromise on health care legislation -- House Minority Lead John Boehner said, quote, "This deal will increase health care costs for families." He also said "it's a raw deal for the American people and sadly it proves once again the so-called Blue Dogs have no bite when they're forced to choose between their constituents and the radical leadership of their party."

President Obama today blasted critics of health care legislation. The president in fact accused his opponents of misleading Americans saying his plan will lead to a government take-over of health care. The president made his remarks in two town hall meetings in Virginia, the other in North Carolina. Ed Henry was traveling with the president, has our report.

(BEGIN VIDEOTAPE)

ED HENRY, CNN WHITE HOUSE CORRESPONDENT (voice-over): On the road again, in North Carolina, the president firing back at critics of his health reform push.

BARACK OBAMA (D-IL), PRESIDENT OF THE UNITED STATES: Nobody is talking about some government takeover of health care. I'm tired of hearing that.

(APPLAUSE)

OBAMA: If you like your doctor, you keep your doctor. If you like your health care plan, you keep your health care plan. These folks need to stop scaring everybody.

HENRY: But some people are scared. At his second stop in rural Virginia, frozen food clerk Phil Younce (ph), a McCain voter fears health reform is being rushed just like the stimulus.

PHIL YOUNCE, FROZEN FOOD CLERK: Like the last package that he pushed through, I think it was too hurried and a lot of mistakes, a lot of things that shouldn't be.

HENRY: But Cathy Montgomery assisted produce manager voted for the president and is pumped up he's getting tough with Congress.

CATHY MONTGOMERY, ASSISTANT PRODUCE MANAGER: I like the fact that he stepped up and he's being aggressive. I really do. I mean I just -- I'm all for that.

HENRY: But like most employees at this Kroger supermarket, produce manager Steve Shipplett (ph) gets generous health benefits. Despite being an Obama voter he's nervous those benefits may be taxed to cover the underinsured and is demanding more specifics from the president.

STEVE SHIPPLETT, PRODUCE MANAGER, KROGER: He's going to have to spit out some numbers and let the public know exactly what it's going to cost them and what they're going to have to give up.

HENRY: Shipplett says if the president steps up and sells it, then he's willing to step up himself.

UNIDENTIFIED MALE: We've got to do something and if it means me paying those taxes to get this reformed through then I'd begrudgingly do it. Yes.

HENRY: And back in the frozen food aisle this Republican is ready to do his share too.

UNIDENTIFIED MALE: It comes down to us, the people that's working and paying taxes. We're going to have to pay for it one way or the other. I just hope we can come up with a plan that's worth paying for. (END VIDEOTAPE)

HENRY: Now not everyone though here at the supermarket was buying the president's sales pitch today. One protester out in the parking lot had a sign on his pickup truck, "no fed med". Now the president just landed at Andrews Air Force base back in the Washington, D.C. area. Basically today insisted again, he does not want a federal takeover of the health system and said he needs these supermarket workers among others to fight what he called misinformation. Lou.

DOBBS: How many times has the Congressional Budget Office come up with a different conclusion than that of the president on the cost and the effect of the health care proposals.

HENRY: Look, I've lost count. It is several times, Lou. You know when they analyzed the House Democrat bill, the Democratic plan. The Senate Health Committee, as you know that diplomatic plan as well, the estimates were much worse than the White House expected. And then just late last week over the weekend, you'll remember the president had been suggesting that he could get -- squeeze big savings out of Medicare with some changes.

CBO came out with another report saying it's probably only going to save about \$2 billion. Obviously \$2 billion means something, but it's a drop in the bucket compared to the amount of money they really need here. Lou.

DOBBS: Yeah, out of a trillion dollars, I think we can safely say it isn't much. Ed Henry...

(CROSSTALK)

DOBBS: ... as always thank you. It seems like the president should spend a lot of time in that Kroger's. It looks like a pretty friendly country. Ed, thanks a lot. Appreciate it.

(CROSSTALK)

DOBBS: Traveling with the president -- got left behind today, though didn't you?

HENRY: That's right.

DOBBS: Ed, thanks a lot.

HENRY: I'm on the way home now.

DOBBS: Well look forward to it and you have a good trip.

New evidence today of the challenge that faces the president as he tries to sell his health care plan -- a new Gallup poll shows only 44 percent of Americans believe the president's proposals would actually improve medical care. At the same time, a Gallup tracking poll shows the president's approval rating slumping again down to 53 percent. That's a decline of six percent over just the past 10 days. Turning to international news tonight, the Obama administration is increasing support for the ousted president of Honduras Manuel Siliyah (ph). He is a close ally of Venezuela's leftist strong man Hugo Chavez and the State Department has revoked the diplomatic visas of four Honduran officials serving in the new Honduran government. Siliyah (ph) is in Nicaragua one month after he was removed from power in a dispute over the constitutionality of his actions. The new government says it will arrest Siliyah (ph) if he tries to enter Honduras.

Coming up here next, rising concern about the danger to all of us from antibiotics being put in animal feed, also a startling new warning about the risk of serious cancer from tanning beds and comedian George Lopez having a little fun at my expense in an interview with CNN.

(BEGIN VIDEO CLIP)

UNIDENTIFIED MALE: Are you sure this is CNN? You're thrilled. Lou Dobbs is on your station, right? I don't think Lou Dobbs is thrilled that a Latino is going to be on TV.

(END VIDEO CLIP)

DOBBS: Oh, yes, I am. We'll tell you what else Lopez had to stay. Stay with us.

(COMMERCIAL BREAK)

DOBBS: Every year more than a million Americans are diagnosed with skin cancer. Health experts have long warned of the possible dangers of tanning beds. Now those experts say the health risks are clear and they are dramatic. In a new report today cancer researchers reporting that tanning beds are so dangerous, in fact they should be in the highest cancer risk category along cigarettes and asbestos -- Brian Todd with our report.

(BEGIN VIDEOTAPE)

BRIAN TODD, CNN CORRESPONDENT (voice-over): They look enticing for those who want a tan without extended sun exposure. CNN intern Genevieve Lemay (ph) is one of the millions who routinely use tanning beds.

GENEVIEVE LEMAY, CNN INTERN: When I go tanning I feel good about myself, I have confidence, I look healthy, I feel great.

TODD: But now the U.N.'s cancer research arm is ranking tanning beds in its top group of cancer causing substances, right up there with cigarettes and arsenic. An official with the International Agency for Research on Cancer tells CNN people who consistently use tanning beds before the age of 30 increase their risk of getting skin cancer by 75 percent.

(on camera): To illustrate the real effect of tanning beds on the skin we came to this place called Radiance Med Spa (ph) in Washington, D.C. It does medical and aesthetic skin treatment. It's got this digital skin analysis device almost like an x-ray machine. We're going to test it out with our intern Genevieve (ph) who does use tanning beds versus the skin of our intern Katherine Castonas (ph) who does not use tanning beds.

(voice-over): They each go through the scan. Some very detailed images pinpointing skin damage tell the story. We look at the results with Dr. Howard Brooks (ph), a dermatologist not affiliated with the spa who the facility allowed to come in as an independence analyst -- first Katherine's (ph) results.

DR. HOWARD BROOKS, DERMATOLOGIST: The fact that she doesn't use the tanning beds shows here on this picture, much less brown spots, much less UV damage.

TODD (on camera): This brown image of Genevieve kind of does reveal the real damage.

BROOKS: This is a perfect illustration. This is -- Genevieve is a 20-year-old young woman. She admits to using tanning beds and this is the result of tanning bed use as the study indicates. You see all these brown spots here, which indicates UV damage that is directly related to tanning bed use.

TODD: Does this change your perspective at all?

UNIDENTIFIED FEMALE: The results were shocking. I mean I looked horrible, but as much as that's a deterrent tanning is addicting. I don't know if I'll stop going right away.

TODD (voice-over): The Indoor Tanning Association (ph), an advocacy group for tanning spas, says media reports linking tanning beds to things like cigarettes and arsenic are over hyped. The association has taken out a newspaper ad this week saying "indoor tanning put in the same category as sunshine, duh." The association says it's always emphasized moderation.

Brian Todd, CNN, Washington.

(END VIDEOTAPE)

DOBBS: In this country the percentage of people who develop melanoma, the most deadly form of skin cancer has more than doubled in the past 30 years and as Brian Todd just reported, the risk of developing skin cancer increases 75 percent using a tanning bed.

Another threat to our health tonight -- Congress moving to restrict the use of antibiotics in live stock feed.

Meat producers have long been adding antibiotics for animal feed to encourage rapid growth. They've been doing so for decades. Health experts however now warn that overuse of those antibiotics say in animal feed can lead to the spread of dangerous bacteria and drug-resistant disease in humans. Kitty Pilgrim has our report.

(BEGIN VIDEOTAPE) KITTY PILGRIM, CNN CORRESPONDENT (voice-over): Animal feed in this country is routinely laced with antibiotics to promote growth and quell diseases in closely packed animal lots. But scientists like Dr. Stewart Levy (ph) say overuse of antibiotics in animal feed promotes bacteria that is stronger and more resistant to antibiotics, so-called super bugs.

DR. STUART LEVY, TUFTS UNIV. SCHOOL OF MEDICINE: The bacteria that are associated with people are now resistant to antibiotics, not just one but to many different ones.

PILGRIM: Dr. Levy says the drug resistant bacteria in meat ultimately gets transposed into kitchens and contaminates counters and hands, co-mingling with other human bacteria -- the result drug resistant strains of E.coli and salmonella. Congresswoman Louise Slaughter (ph) is a microbiologist with a master's degree in public health and cites a recent survey in "The New England Journal of Medicine".

REP. LOUISE SLAUGHTER (D), NEW YORK: They did a study on meat for sale at the supermarket and found that 20 percent of it was contaminated still, with salmonella. And of those 20 percent the contamination, 80 percent were resistant to antibiotics. So it is in the meat that you eat every single day.

PILGRIM: The American Medical Association and some U.S. companies are on board. In 2003, McDonald's, the world's biggest restaurant company, asked its suppliers to limit the use of growth promoting antibiotics in their live stock, but some meat producers say antibiotics are important in preventing disease in farm animals.

DR. JENNIFER GREINER, NAT'L PORK PRODUCERS COUNCIL: And we have had a number of risk assessors who have looked at the risk to public health by using antibiotics in food animal production. Those risk assessors have come back and said that it's minimal risk to public health.

(END VIDEOTAPE)

PILGRIM: Now the (INAUDIBLE) concern of scientists said some 70 percent of antibiotics produced in the United States are fed to animals and Congresswoman Louise Slaughter has introduced legislation to ban seven classes of antibiotics for animal use -- Lou.

DOBBS: There's also a lot of discussion about the other impact of these antibiotics being put into the food system. How much research is going into that?

PILGRIM: Well I mean the researchers we talked to say that there's not enough attention going into this issue. That the introduction of antibiotics to prevent disease is not the way you should be using them, they should be used to cure disease. But we're now using them in animal feed to prevent disease, so they say that's really a big problem.

DOBBS: All right, Kitty, thank you very much -- Kitty Pilgrim. Still to come here, a nasty new fight over Michael Jackson's will. Also New York Mayor Michael Bloomberg, he says he doesn't believe in deporting illegal immigrants but he is happy to deport homeless people. What's that about?

And the woman who made the 911-call that led to the arrest of Harvard Professor Henry Louis Gates (ph), absolutely besmirched and attacked and she speaks out.

(COMMERCIAL BREAK)

DOBBS: New developments tonight in the battle over Michael Jackson's estate. Jackson's mother, Katherine, is now demanding she be put back in control of that estate. She was granted custody of Jackson's three children.

And meanwhile the Los Angeles Police Department and the Drug Enforcement Agency are investigating Jackson's physician, Dr. Conrad Murray. Authorities raided Murray's Las Vegas home and office yesterday and a source close to the Jackson family tells CNN that Murray gave the singer a powerful drug that may have killed him. The Los Angeles coroner's office tonight says toxicology results from Jackson's autopsy will be released next week.

The woman who made the 911-call that led to the arrest of Harvard Professor Henry Louis Gates (ph) today made her first public appearance and comment on the controversy. Lucia Whalen (ph) said it was very painful to her that people wrongly labeled her a racist after she reported a suspected break-in.

(BEGIN VIDEO CLIP)

(AUDIO GAP)

(END VIDEO CLIP)

DOBBS: We apologize. There's -- obviously we're having some problems with the sound. We're going to get that back to you here in just a minute.

Tomorrow, President Obama meets with Professor Gates and the officer who made the arrest, Sergeant James Crowley (ph). Lucia Whalen however was not invited to that meeting.

New York City Mayor Michael Bloomberg has apparently had some sort of change of heart or mind when it comes to the issue of deportation. The mayor has repeatedly called for amnesty for illegal immigrants and he is the mayor of the country's largest sanctuary city. But he is now deporting some who live in New York, the city is paying homeless to leave New York.

(BEGIN VIDEO CLIP)

UNIDENTIFIED MALE: We've tracked something like 500 families that we've sent to -- back where they wanted to go. Given the cost of providing shelter for a family, this saves the taxpayers of New York an enormous amount of money.

(END VIDEO CLIP)

DOBBS: Well a homeless family of three apparently cost New York City about \$36,000 a year. Instead the city is spending an average of \$218 for a one-way ticket to transport the homeless out of New York. Most families have been sent back to Puerto Rico, to Florida, to Georgia and the Carolinas.

Well, I'll have a few thoughts about that and all of the stories we report on here and throughout the day. Join me on the radio Monday through Fridays for "The Lou Dobbs Show" 2:00 to 4:00 p.m. each afternoon on WOR 710 radio in New York and go to loudobbs.com to get the local listings for "The Lou Dobbs Show" on the radio. You can also follow me on loudobbsnews on Twitter.com and I hope you will.

Comedian George Lopez is returning to late night week night television when his new show called "Lopez Tonight" premieres in November on our sister network, PBS. In an interview with CNN entertainment producer K.J. Matthews (ph), Lopez had a little fun with me with a little urging from K.J., and while we may not always see eye to eye on some issues, we do have one thing in common. We both enjoy a sense of humor.

(BEGIN VIDEO CLIP)

UNIDENTIFIED FEMALE: I'm so thrilled you're coming back. You're going to have your own talk show. We're going to get more of the real George Lopez.

GEORGE LOPEZ, COMEDIAN: Are you sure this is CNN? You're thrilled?

(CROSSTALK)

LOPEZ: Lou Dobbs is on your station, right? I don't think Lou Dobbs is thrilled that a Latino is going to be on TV.

UNIDENTIFIED FEMALE: Well we might as well throw that out there. What do you have to say about Lou, go ahead?

LOPEZ: Lou is Mr. Independent. I have nothing to say about him. All I know is that he is married to a Latina. It's fantastic. I mean so he's got his own troubles, because I'm married to one too.

(END VIDEO CLIP)

DOBBS: And by the way, I am a George Lopez fan and delighted that -- well, I'll going to say this with my wife watching -- I am delighted you commiserate with me on marriage. And I am also delighted that you're going to be on PBS -- what it is -- beginning in November -- much success -- "Lopez Tonight". I think you borrowed part of our title here, didn't you, George?

Up next, President Obama returning to Washington after a day of defending his economic and health care policies. What are those policies doing? Good or ill. That is the subject of our "Face Off" debate.

And the Obama administration pushing voluntary community service -- well it is actually compulsory voluntary service. One top White official wants to go a lot farther national service, compulsory service. Is it indoctrination? What is the deal? We'll continue in a moment.

(COMMERCIAL BREAK)

DOBBS: Well, President Obama is using all of the powers of his office possible to sell his massive health care plan. Today, no exception, the president held two town hall meetings in Virginia and North Carolina. The president, however, isn't the only one pushing an agenda when it comes to health care, as Candy Crowley now reports.

(BEGIN VIDEOTAPE)

CANDY CROWLEY, CNN SR. POLITICAL CORRESPONDENT (voice-over): Have microphone, will travel.

BARACK OBAMA (D-IL), PRESIDENT OF THE UNITED STATES: If you like your doctor, you keep your doctor. If you like your health care plan, you keep your health care plan.

CROWLEY: Nothing like a bully pulpit to push an issue but there are other ways you may have noticed.

UNIDENTIFIED FEMALE: You could end up with government bureaucrats taking away your choices getting in between you and your doctor.

UNIDENTIFIED MALE: Now the Republicans say Congress should slow down? That's because when something goes slow enough, it's easy to kill it.

CROWLEY: So far just about \$50 million has been spent on TV ads related to health care reform aired by 50 different groups, insurance and pharmaceutical associations, unions, nurses, the soft drink industry, Republicans and Democrats all with two things in common, a vested interest and deep pockets. About half the buys are aired nationally.

EVAN TRACEY, CAMPAIGN MEDIA ANALYSIS GROUP: It's really trying to reach the most engaged sort of party activist, legislative lawmakers, you know reporters, bloggers, you know the people that are sort of plugged in all the time. Most Americans right now are at the beach...

UNIDENTIFIED MALE: Barack Obama's massive spending...

CROWLEY: The ads fall into four different categories -- for and against an Obama style reform package, pro health care reform in general.

UNIDENTIFIED MALE: We may finally get health care reform.

UNIDENTIFIED FEMALE: It's about time.

CROWLEY: And ads from stakeholders. Autism speaks.

UNIDENTIFIED FEMALE: Call Speaker Pelosi and Leader Reid and tell them health reform that fails to stop autism insurance discrimination is unacceptable.

CROWLEY: The soft drink industry.

UNIDENTIFIED MALE: This is no time for Congress to be adding taxes on the simple pleasures we all enjoy like juice drinks and soda...

CROWLEY: And in general the ads are soft edged, but as summer moves into fall and the kids go back to school Congress begins debate on a health care bill, can he bar the door or turn off the TV?

EVAN TRACEY, CAMPAIGN MEDIA ANALYSIS GROUP: I think you're going to see some really distinct lines. They're going to get much more emotional in their lines of attack. And it's going to become much more politicized.

CANDY CROWLEY, CNN SENIOR POLITICAL CORRESPONDENT: It has already begun. Here's what Republican leader Eric Cantor will see when he hits the remote at home.

UNIDENTIFIED FEMALE: Now I find out that Congressman Eric Cantor voted against health care reform that would stop insurance companies from denying coverage for pre-existing conditions like cancer. He wants me to fight cancer and the insurance companies?

CROWLEY: This union ad is not about getting Congressman Cantor to vote for the House bill. This is a warning shot. Count on health care reform as an issue for 2010, hardball to come.

(END VIDEOTAPE)

CROWLEY: But during this August recess, pity the Blue Dogs and other conservative Democrats, all are likely to get buffeted by ads from both sides. One expert who follows where ads are being bought told me anyone who's in the middle on this is going to be a fruit basket from their local TV station. Lou?

(LAUGHTER)

LOU DOBBS, CNN ANCHOR: Well, the idea of being in the center in this country isn't a popular idea in Washington, D.C. But that's where most of the country does live. These congressmen are going to hear as well from their constituents over the course of the next month. Aren't they?

CROWLEY: They are. And in many ways, this is why those conservatives did push to put off the House vote until after the August recess, and it's also, in many ways, why the president wanted them to act before the August recess, simply because the longer this goes on and the longer it takes to pass, the more difficult it becomes to get precisely what the president wants, what the Democrats want.

DOBBS: That's becoming increasingly clear that the Congress and the president, this president and previous presidents as well, don't want to be bothered with that meddlesome public that wants to be considered themselves a group of American citizens. Nasty stuff having to deal with that, I'm sure.

Thanks a lot. Candy Crowley.

CROWLEY: Sure.

DOBBS: President Obama today strongly defended his economic policies. He also poked a little fun at "Newsweek." The president particularly fired up about the latest "Newsweek" cover, which you see there, declaring the recession is over.

(BEGIN VIDEO CLIP)

BARACK OBAMA, PRESIDENT OF THE UNITED STATES: I don't know whether you've seen the latest cover of "Newsweek" magazine on the rack of the grocery store but the cover says, "The recession is over." Now I imagine that you might have found the news a little startling. I know I did.

(END VIDEO CLIP)

DOBBS: Well, the president, of course, apparently not too excited about it being over there. But he is claiming credit for preventing the recession from getting even worse. We'll see what credit is spread around for the actual end of the recession, should this be the end -- well, he could have an early decision to make, wouldn't he?

Joining me now to debate the president's healthcare plan and his stimulus plan, and whether all of that is living up to promise of creating millions of jobs are Reihan Salam. He's author of the "Grand New Party: How Republicans Can Win the Working Class and Save the American Dream."

Reihan says the president's economic stimulus plan has exacerbated the ongoing job crisis.

And Professor **Justin Wolfers** of the Wharton School of Business. Professor **Wolfers** says he supports the stimulus plan. He also says the administration is doing more things right than it is doing wrong.

Thank you both for being here.

Reihan, you have said that things are getting worse. How so for -- as a result of the president's policies?

REIHAN SALAM, AUTHOR, "GRAND NEW PARTY": Well, I wouldn't say the stimulus plan, that's the problem. I would say that there are a lot of very well-intentioned ideas. For example, means tested mortgage modification that's designed to help people who've lost income stay in their homes actually might function as a kind of marginal tax that's discouraging work effort. The same is true of means tested loan programs. And I think -- also the stimulus package itself was very careful not to create so-called make-work jobs but it's possible that make-work jobs are exactly what we need. In countries like France and Singapore, they put in place low-wage subsidies so as to help companies obtain...

DOBBS: So...

SALAM: ... low-wage employees. That's a very good idea.

DOBBS: To be clear, you think he's doing the right thing then?

SALAM: No, I think that he has not designed -- the stimulus is not designed as policy system to maximize employment. I think that's very dangerous.

DOBBS: Well, let's turn to you, **Justin**. I mean do you believe that this economic stimulus plan is, quote, "working"?

PROF. **JUSTIN WOLFERS**, WHARTON SCHOOL OF BUSINESS: I think it's a step in the right direction. It's, by any measure, too early to say whether it's working. We know the economy isn't doing well right now and we know that fiscal policy can do something about it.

So the broad concept of the plan, I think, is spot on. If I polled the president for anything, I think he's probably doing too little. The economy today turns out to be a lot worse than we thought it was three or four months ago when the plan was first...

DOBBS: Whoa, whoa, whoa. Professor, I mean how bad did you think it was three or four months ago? I mean we heard the president say it was worse than he thought. I mean, for god's sake, if we you go back to October and November, whether it is John McCain or whether it is Barack Obama, I mean the rhetoric was pretty clear.

They were trying to prevent crisis from turning to catastrophe. The greatest recession since the Great Depression. My god, how bad...

(LAUGHTER)

How bad would you say it is?

WOLFERS: So I -- I want to be a little quantitative about that, Lou.

DOBBS: All right.

WOLFERS: You know, back in January when the plan was put together, we thought that unemployment might hit 8.5, 9 percent. Today it's 9.5. Looks like it might hit 10, 10.5. And actually I think the real problem is looking out, three -- you know, short-run things may well start to turn a corner and get a little bit better.

I'm a little bit worried that it's going to be a long, slow recovery. A real hard slope. Three, four, five years later where we're still seeing unemployment rates of 8 percent. That's the fear. DOBBS: What would you have had the president do, Reihan? What possibly can be done? I would ask you both. I mean, name an economic stimulus package that has ever worked.

WOLFERS: It's hard to say what else we can do at this point. We know things are bad. Monetary policies all tapped out. We've got interest rates down at zero. And the only thing I think we really know how to do next is try to prime the pump and try to get people back to work.

I think the real issue here is that the risk of doing too little, is -- it's not that important. It's much bigger than the risk of doing too much.

DOBBS: Reihan, do you agree with that?

SALAM: Well, I think that there actually are some stimulus plans that have worked pretty effectively. For example, Singapore is a very different country from ours.

DOBBS: No, no, no.

SALAM: But -- yes.

DOBBS: I appreciate that. Thank you very much for the global tour, but I'm talking about the American economy.

SALAM: Well, look, the Works Progress Administration in this country work incredibly well in the '30s and '40s. And that's a program that put people directly to work. In Tennessee, the Democratic governor there, Phil Bredesen, is taking an approach very different from the approach that Obama is taking at the federal level.

He's tried to put people directly to work by doing things that are refurbishing, you know, forest land, he's doing things that are like directly employing people in firms that would otherwise have to lay people off. And so that's something that's really putting money directly into people's pocket.

But the bigger thing is, there is a danger when people are unemployed for six months or longer. They get disconnected from the main stream economy. And a job is the best kind of social program. We need to emphasize job creation as directly as possible.

In that regard, I agree with Professor **Wolfers**.

DOBBS: Let me ask you both. Healthcare, at least at the margin, a small breakthrough, it may be procedural, given the four Blue Dog Democrats are the ones who came together with the speaker of the House and her group led by Congressman Mike Ross. The Blue Dogs reaching some sort of agreement.

This healthcare plan that is being pushed by the administration, there have not been extensive hearings, there has not been extensive testimony. There's been very little in the way of analysis outside the Congressional Budget Office. We have seen all of the major think tanks, and I mean all of them, avoid the issue in Washington, D.C. The usual suspects, I guess we could add, the Cato Institute. But not Heritage, not Brookings, not the American Enterprise Institute. None of them stepping into this.

Why is there this -- it seems to be, if you will, just a confluence of disinterest in what is a trillion dollar, at least trillion dollar issue. Reihan, you, first, if you will.

SALAM: Well, I think that there is a lot of intense interest but I also think there's a lot of uncertainty. And that's the thing about the CBO estimates. I think that they're being misrepresented to some degree. I think they're acknowledging that we don't know how the revenue side is going to play out. We don't know what final legislation is actually going to look like.

What we do know is that there are a lot of contradictions, for example, when you're looking at different proposals for an employer mandate. How is the fact that we're going to play out in terms of job creation? Is it actually going to make the unemployment picture worse than it would be in the absence of a new employer mandate? It's hard to tell. So I think that's the reason people are gun shy.

DOBBS: **Justin**, you get the last word here.

WOLFERS: I'm not sure there has been very little analysis as you suggested, Lou. I seem to remember this election campaign that just went on forever. And this was certainly a big part of the Obama platform. I think you're on to something...

DOBBS: Well, forgive me, Professor, but a platform, a campaign talking points are hardly analysis. I'm talking about independent judgment or analysis. By the way, including academia which has been absolutely silent on this issue, as far as rigorous analysis of the issue.

WOLFERS: Let me add two more things here.

DOBBS: Sure.

WOLFERS: It's hard. I think the health care market is probably the most difficult market for any of us to think about. And second, I think, for some of us -- for some of the political think tanks, in particular, this is embarrassing. This is a domain where...

(CROSSTALK)

DOBBS: We don't (INAUDIBLE) to be embarrassed. Would we?

WOLFERS: You know, some of these think tanks say -- just say markets always get it right. That's just not true when you think...

DOBBS: Is that a Brookings analyst, for example?

WOLFERS: My friends at Brookings, I think, are a little more subtle about these things. That's true.

DOBBS: And we're very new ones, too. All right. Thank you very much, **Justin**. We appreciate it. **Justin Wolfers** of Wharton.

WOLFERS: Thank you.

DOBBS: We thank you, Reihan Salam. Thank you very much, gentlemen. Always good to have you with us.

Up next, mandatory community service. Whoa-ho. That's what the president wants or at least his chief of staff wants it. We'll see whether he gets it in our special report.

And the president says he insists he does not want government-run health care. Republican senator John Barrasso, a physician, isn't convinced. He's our guest here next.

(COMMERCIAL BREAK)

DOBBS: The Obama White House and Congress are sharply expanding programs for national and community service. But so far, lawmakers haven't authorized sufficient money to pay for that expansion.

The White House chief of staff Rahm Emanuel, however, wants to go even further. He believes there should be compulsory civilian service for everyone between the ages of 18 and 25.

Bill Tucker with our report.

(BEGIN VIDEOTAPE)

BILL TUCKER, CNN CORRESPONDENT (voice-over): There's no question that President Obama believes in government-run community service programs. The former community organizer campaigned on the promise of an expanded what he then called a civilian national security force.

OBAMA: We cannot continue to rely only on our military in order to achieve the national security objectives that we set. We've got to have a civilian national security force that's just as powerful, just as strong, just as well funded.

TUCKER: It's an idea very similar to a mandatory national service program that the president's chief of staff Rahm Emanuel called for in his 2006 book, "The Plan," where, quote, "All Americans between 18 and 25 will be asked to serve their country."

Earlier this year, President Obama signed into law the Serve America Act which dramatically expands national service and volunteer programs like AmeriCorps, providing living allowances and some educational grants, but it's not mandatory.

Serving one's country is an idea that few have a problem with. But the idea of a national service run and potentially mandated by the government is a nightmare come true, according to Brian Darling of the conservative Heritage Foundation.

BRIAN DARLING, HERITAGE FOUNDATION: AmeriCorps is crowding out traditional volunteer programs because it's a program for kids that pays them to volunteer. You will not have charities, religious organizations and other individuals who want to help out their communities go out and do so because they know that AmeriCorps and the federal government are serving these needs to the American people.

TUCKER: Darling worries that instead of helping communities, the communities become dependent upon the grace of the federal government.

(END VIDEOTAPE)

TUCKER: Now the fight for funding for these programs is going on in Congress now. Senate Appropriations Subcommittee today just approved full funding but over in the House, they're coming up short and not fully funding what the president wants.

And, Lou, with the federal deficit at more than a trillion dollars, there are a lot of fiscal conservatives who think coming up short is a blessing.

DOBBS: Yes, I mean, this is really quite something. The possibility of compulsory civilian service. I mean, you know, as I read that, civilian national security force that would be as well-funded as the military, now I mean that is a bizarre concept that now apparently is morphing into well-funded, large scale of community organizing efforts.

It's not volunteerism because they're being paid.

TUCKER: Exactly. And it's undermining the efforts by a lot of very good organizations. There were people who volunteer their time, meaning they do it for free and they contribute back to the community in time and effort.

DOBBS: All right. Thank you very much, Bill Tucker. Appreciate it.

Well, joining me now for more on the president's health care plan and these new developments, the new compromise reached by a few Blue Dog Democrats and Democratic leaders, one of the leading Republicans in the U.S. Senate Senator, Senator John Barrasso of Wyoming.

Senator, great to have you with us. Let me ask you, first of all, what do you think of what appears to be -- you know, I'm not sure what -- how to describe it, but at least it's a compromise that I think you have to put a checkmark and Speaker of the House Nancy Pelosi's column. Don't you?

REP. JOHN BARRASSO (R), WYOMING: Well, I think it is a good checkmark for the people of America that they're going to get a chance to talk to their elected representatives at home in August before they come and vote on the bill.

Here you look at it, over a thousand cases, very complicated. One of the members of the house has said, are you going to encourage the members to read it? He said there's no really reason to because it would take two days and you need two lawyers to explain it to you.

Well, I think the people all across this country in August ought to go to town meetings, demand that their legislatures show up, explain the bill, because I think there are a lot of things that the president has promised that are really not going to be covered in that bill.

And there are a lot of things he said we would never lose as Americans that will be stripped from us in this government take-over of medicine, which is the way I read this bill that the House is going to have to vote on when they return in September.

DOBBS: Senator, I want to ask you about these things. Let me just inquire of the control room. Do we have -- because the senator is referring to a statement by Congressman John Conyers, who is the chairman of the House Judiciary Committee.

He is the one who said it'd be absurd to spend two days and reading it, the legislation. Do we have that -- that we can share with our audience? And I'm going to assume that we could get that rather quickly? Could we? All right.

Let's listen to Congressman John Conyers.

(BEGIN VIDEO CLIP)

REP. JOHN CONYERS (D), MICHIGAN: I love these members that get up and say, "Read the bill." What good is reading the bill if it's a thousand pages and you don't have two days and two lawyers to find out what it means after you read the bill?

(END VIDEO CLIP)

DOBBS: I mean that's quite a statement to come from any one of our elected officials, but the chairman of the Judiciary Committee, my god. I mean, as you raised what he said there, Senator, the statistics in the

Senate are just about 95 percent of the legislation there goes unread.

And the American people are supposed to have confidence in a thousand pages as you just demonstrated, that, you know, I mean this is just a peculiar time to be moving forward legislation that apparently no one has read, many of the top congressional leaders both in the Senate and house have no intention of reading. That's befuddling.

BARRASSO: And look what happened with the stimulus package and a lot of extra amendments that came in late. The cap and tax bill, 300 pages dropped in at 3:00 in the morning and they had to vote that day. I'll be interested to see what kind of amendments they throw on to this.

But if members of Congress don't read it and people can't understand it without two lawyers, is this something that we really want with a decision, Lou, that is so personal? I mean someone's health care is the most personal thing.

I just got back from the weekend overseas in Kuwait visiting the National Guard, the Wyoming National Guard. 900 deployed. The number one question they ask is not about the war, it's about health care. What the impact of these bills are going to be on them and their families and their kids. And what this -- what's going to happen with these huge expenses when we're looking at, you know, an economy that is still having issues, when we -- they want to focus on the economy.

They want to focus on jobs, they want to focus on the growing deficit, this -- the budget with the debt that's doubling in five years, tripling in 10 years. People are very concerned. And even though they may have in the House gotten this number down to a little lower than a trillion, that's still \$1 trillion, Lou, that we don't have and can't afford to spend.

What the president promised and what's being delivered are two very different things.

DOBBS: And as you say, an agreement based on a 10 percent reduction in the cost, which, by the way, is not as you well know, finite at all and subject to immense change once it were to go to conference, should it be passed. We feel a certain amount of gamesmanship in Washington.

BARRASSO: Lots...

DOBBS: I'm sure that's an misimpression on my part.

BARRASSO: A lot of games, a lot of gimmicks. And you know who else is really concerned about this, Lou, are the governors. Republican and Democratic alike. They're concerned about the unfunded mandates that are going to be shifted to the states. And as the governor of Tennessee called this, the mother of all unfunded mandates. A big shift to the states. Hundreds and hundreds of millions of dollars in many states.

DOBBS: Senator John Barrasso, as always, good to have you with us. We thank very much.

BARRASSO: Thanks, Lou.

DOBBS: And I want to point out. We did extend an invitation to of the Senate Democrats to join us here tonight on the issue of health care. None accepted. But of course that invitation remains open for any of them to join us here at any time.

Up next, Governor Schwarzenegger signs a budget for California. He says it's like the good, the bad and the ugly. But somebody else paid for that movie, I believe. There are apparently a lot more ugly than good in this bill. We'll have a report for you.

(COMMERCIAL BREAK)

DOBBS: Well, Governor Schwarzenegger of California has signed a budget that apparently closes the states' record \$26 billion budget deficit. But does it stop the state's dependence on borrowing?

Casey Wian with our report.

(BEGIN VIDEOTAPE)

CASEY WIAN, CNN CORRESPONDENT (voice-over): California lawmakers didn't even wait for the ink to dry on the state's \$24 billion budget deficit reduction deal before criticizing each other for its shortcomings.

Governor Arnold Schwarzenegger blames the legislature for not cutting spending enough. Legislative leaders and some unhappy residents accused the governor of slashing too much from health care and welfare.

UNIDENTIFIED FEMALE: It's just heartless. It's like feeding off the weak.

WIAN: But few are talking about the fact that even with the deal, California is spiraling deeper into debt. The state has already issued more than \$1 billion in IOUs to taxpayers and vendors. Officials don't yet know if the budget deal will allow them to resume payments in cash.

MIKE GENEST, STATE FINANCE DIRECTOR: Our first priority now is to stop the IOUs. But it can't be something that happens overnight.

WIAN: State finance director Mike Genest says California will still need to borrow \$8 to \$10 billion more this year just to meet short-term cash flow needs.

GOV. ARNOLD SCHWARZENEGGER (R), CALIFORNIA: I think the financial community is going to look at this budget in a positive way because we were fiscally responsible and we have -- you know the majority of people with really good solutions.

WIAN: In fact two bond rating agencies have dropped California's debt rating to the lowest of any U.S. state meaning California's borrowing costs are rising. A third agency says it's still studying the budget deal. One likely focus, billions of dollars in accounting gimmicks such as a one-day delay in the state payroll that lawmakers use to reduce the deficit.

In all California state and local governments borrowed more than \$31 billion during the first half of this year. That's more than \$800 for every person in the state in just six months.

The state is so reliant on debt its treasurer put out a primer on the subject -- it's 606 pages long.

(END VIDEOTAPE)

WIAN: Now for residents of other states who may be feeling a bit smug about California's problems, not so fast. Republican congressman Duncan Hunter from San Diego wrote an online commentary today, warning, quote, "What's happening in California way well forecast our nation's fiscal future if we don't act to prevent the same effects resulting from the same fiscal irresponsibility." Lou.

DOBBS: Well, Congressman Hunter, in all respect, I mean, that's sort of cold comfort. And this solution with the Governor Schwarzenegger and legislature patting themselves on the back. By my count it's almost 40 percent of their solution requires borrowing. Some solution.

Thanks very much. Casey Wian.

Up the top of the hour. Campbell Brown. Campbell.

CAMPBELL BROWN, CNN ANCHOR: Hey there, Lou, we got two big newsmakers. Coming up, first, tonight, Rudy Giuliani, the former presidential candidate, talking with me about President Obama, about Sarah Palin, and about the future of GOP.

And then a look at life behind bars for fraud mastermind Bernie Madoff. You'll hear for the first time how he pulled off his Ponzi scheme, how he's spending his days in prison. We've got that plus our "Mash-up" of today's big stories, all coming up in just a few minutes, Lou.

DOBBS: Look forward to it, Campbell. Thank you. We'll be right back.

(COMMERCIAL BREAK)

DOBBS: We want to thank you for being with us tonight. Please join us here tomorrow. Thanks for watching. Good night from New York.

ANNOUNCER: CNN Prime Time begins right now.

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