

**Charlie Rose with  
Bernard Schwartz, chairman and CEO of BLS Investments, LLC**  
August 4, 2010

CHARLIE ROSE: We continue our conversation now on jobs with Bernard Schwartz. He is a philanthropist and investor and former chairman and CEO of Loral Space and Communications. He led that company from 1972 to 2006 and built it into a global leader in defense and communications.

He is now chairman and CEO of BLS Investments. He also manages the Bernard and Irene Schwartz Foundation. And he recently unveiled a new initiative to create jobs for the U.S. economy. The plan is meant to reduce unemployment over several years through government spending on infrastructure.

He's a longtime friend of mine and a supporter of this program. We spoke on Monday, and here is that conversation.

CHARLIE ROSE: So tell me what led you to spend a considerable amount of time with others thinking about unemployment and jobs in the American economy.

BERNARD SCHWARTZ: About nine years ago, the American economy started into a long program of disfranchising human beings. People from Main Street, workers continually lost their jobs during the eight years of the last administration and have not grown in terms of employment in the new administration.

That is a crisis by any means. It doesn't matter that businesses are doing well today, and they are doing better than they had before -- of course, the measurement is against the very bad performance of a few years past. The stimulus has helped small businesses. Their balance sheets are better. There is a liquidity surplus all around the world.

But there are two areas of America that have not done well. It is the employee in America, the homeowner of America who have been going into a deeper, deeper crisis, and the infrastructure investment that a modern society must make in its infrastructure.

CHARLIE ROSE: And you characterize this as a crisis.

BERNARD SCHWARTZ: It's a crisis because it's already been nine years in the running. It doesn't look, as you listen to the administration -- although they like what's happening in the economy, they also say there is no inroads in job creation. And they don't have a very, very big program for infrastructure improvement. That is a crisis.

But there is also a worldwide crisis. While the United States is going through this, Europe is having its problem --

CHARLIE ROSE: Sovereign-debt crisis.

BERNARD SCHWARTZ: Sovereign-debt problem, also in development, also in growth on a decline.

CHARLIE ROSE: The expectations of Europe are much less than the United States.

BERNARD SCHWARTZ: Much, much less. There are drivers that are doing well, but it's not big enough. China is big enough to do some good in the world, but even they at an eight percent GDP growth this year is down 30 percent from last year.

CHARLIE ROSE: And you're hearing more and more caution from China.

BERNARD SCHWARTZ: More and more caution in spite of the fact they're increasing the liquidity for investment in infrastructure at a very rapid rate.

CHARLIE ROSE: But you have described Europe and China and the coming together of some of our own issues as a perfect storm.

BERNARD SCHWARTZ: Yes.

CHARLIE ROSE: Because if you look at the future of jobs for Americans, they will not be there if we are depending on the same kind of worldwide demand.

BERNARD SCHWARTZ: I fully agree.

CHARLIE ROSE: You are arguing that we need to spend \$1 trillion dollars.

BERNARD SCHWARTZ: Yes.

CHARLIE ROSE: Of which some come from the private sector, some come from the government, and you would benefit over the fact that it's a multiyear plan. All of that would make everything -- would give us jobs.

But are these jobs, if you make a commitment to this kind of plan, going to be there in 2011? 2012? 2013? You cannot overnight build a high-speed railroad. You cannot overnight build an interstate highway system, a new one.

BERNARD SCHWARTZ: No, but it's a very complex system. We live in a very complex society, you can repair bridges, you can repair -- I read a report over the weekend that Michigan and Ohio are talking about putting gravel roads in, stone gravel roads, which we gave up 25 years ago because they don't have a budget to keep those things employed and in good repair.

I'm talking about a whole host of things. But it's not exclusive. I'm not suggesting to the administration that we take on the infrastructure, solve the infrastructure in one year to the exclusion of all the other things. I'm saying it's going to take six, seven years to do the kind of thing we need in infrastructure.

In six, seven years you're going to put four, seven, eight million people to work. We're not going to solve the whole problem. Simultaneously, the other programs that they're talking about will go into effect --

CHARLIE ROSE: First of all, you're talking about construction jobs.

BERNARD SCHWARTZ: No, I'm talking about all kinds of jobs. I'm talking about construction jobs. I'm talking about internal systems that are high-grade -- bookkeeping and backroom stuff. I'm talking about all the supply stuff that goes into those -- I'm talking about restaurants. I'm talking about houses.

I'm talking about a whole economy. A \$300 billion a year total investment is not just for construction, it's for a multiplier effect that will improve the whole economy.

CHARLIE ROSE: You are a long-time supporter of Democratic candidates.

BERNARD SCHWARTZ: Yes.

CHARLIE ROSE: Very close to Secretary Clinton, formerly Senator Clinton, correct?

BERNARD SCHWARTZ: Yes.

CHARLIE ROSE: The Obama administration, of which she's a member -- are they making the right choices?

BERNARD SCHWARTZ: My argument is not with the political-economic side and social side of the administration. If you look at the president's first announcement, I don't know what his priorities were to be -- it was education, it was infrastructure, it was --

CHARLIE ROSE: Climate change.

BERNARD SCHWARTZ: Climate change.

CHARLIE ROSE: Health care, climate change, and education.

BERNARD SCHWARTZ: Yes. And infrastructure was the fourth one. I have no argument with those. Those were really good choices for America. America needs attention to those issues and to some of the other issues.

It is the amount of time that he spent in health care that I thought used an inordinate amount of his political capital to get to where he should have gotten anyway. But having been there, fought that fight and won that fight, he attacked several other issues for which he doesn't take any credit, important issues that they have been successful in.

So my problem with this administration is that many of the problems have been resolved and looked at but the American people don't know about it.

CHARLIE ROSE: You're basically are saying they've done the right thing but it's not known, is that your idea?

BERNARD SCHWARTZ: Sure. We had cap and trade. Do you know where cap and trade is?

CHARLIE ROSE: I know where it is. It got lost because nobody thought it could pass.

BERNARD SCHWARTZ: Nobody could understand what it was either on Main Street.

CHARLIE ROSE: That's a problem with explanation -- but there are a lot of people who didn't think that it was a way to go. They thought a tax on carbon was a better way to go.

BERNARD SCHWARTZ: I understand that. I am saying he has a program. If he could put it out in simple ways that people in Main Street could understand --

CHARLIE ROSE: You're saying that President Barack Obama is not a very good communicator and he does not explain his policies well --

BERNARD SCHWARTZ: Yes.

CHARLIE ROSE: -- or his options?

BERNARD SCHWARTZ: Yes. I do say that.

CHARLIE ROSE: And his priorities?

BERNARD SCHWARTZ: And his priorities. Everybody who listens to him says he's a great communicator. He is a good communicator. He does communicate very high level circumstances. But I don't think he articulates what needs to be done. When I speak to him about infrastructure, he says that's a very important issue for us.

CHARLIE ROSE: But?

BERNARD SCHWARTZ: But you don't know that. The people in Main Street don't know that. He thinks he's going to get there eventually and he's already spent \$200 billion, he thinks, which is --

CHARLIE ROSE: But --

BERNARD SCHWARTZ: It's inadequately spent, I think.

CHARLIE ROSE: There is a larger point here which I think you believe. It is that the people who are advising him, in your judgment, are the people from the past, from the previous administration and the previous administration, and they're all deficit hawks, you believe.

BERNARD SCHWARTZ: On the financial side, that's true.

CHARLIE ROSE: They're all deficit hawks.

BERNARD SCHWARTZ: Yes.

CHARLIE ROSE: And that therefore, their priorities are not your priorities.

BERNARD SCHWARTZ: They are not my priorities, and I cite for my priorities the fact that their system hasn't worked. It's not a new program that they're talking about. It's the same program that went back to 2002 and 2004 and the same people.

We started on a bad road around 1999, which is under Clinton's administration, and I take full responsibility as a happy partner in that. The fact is getting rid of Glass-Steagal was a terrible mistake for the American community. It was good for the banks.

CHARLIE ROSE: It separated commercial from investment banks and also insurance companies.

BERNARD SCHWARTZ: Yes, it took away the responsibility and gave the banks the opportunity to take money at very low interest rates, guarantee the government, and lend it out indiscriminately. It was a bad thing --

CHARLIE ROSE: But we have been on a deregulation trend for a long -- since Reagan.

BERNARD SCHWARTZ: But it doesn't work. It has not worked in this country.

CHARLIE ROSE: We got too much deregulation and therefore we had to come through in 2010 with a new financial reform which looked anew at regulations.

BERNARD SCHWARTZ: In 2008, the government was called together in a

small -- the Congress -- called together and given a three and a half page document --

CHARLIE ROSE: By Hank Paulson.

BERNARD SCHWARTZ: -- by Hank Paulson which said if we don't do something by Monday morning the system will crash.

CHARLIE ROSE: Was he right?

BERNARD SCHWARTZ: Of course, he was not right. Of course he was wrong. If he -- if the government -- if somebody -- the president of the United States had come out and said "We have a problem in this country. It's a financial problem. We're going to fix it. The federal government is going to stand behind it. I'm not going to do this in three days," the American -- look what happened in 1932, 1933 -- the president of the United States became president in March of 1933.

CHARLIE ROSE: Franklin Roosevelt.

BERNARD SCHWARTZ: Franklin Roosevelt. He said to the American people on the second day, "I'm going to close the banks, and I'm hopeful we will be able to reopen the banks in one week." That's what he told the American people. Nothing else happened. He opened the banks. People stopped closing their accounts. People brought money back into the banks.

It needs a strong fiscal political management and we don't have quite that today, and we have a president that can do that. I think Obama can do that.

CHARLIE ROSE: You would have liked his priorities on assuming office, which were health care and then financial reform, to have been what?

BERNARD SCHWARTZ: I would have liked to have seen job creation as the first thing. But -- but I could have lived very well with a program that he put out if it didn't take 16 months to get there. I think the fault was that it took so long to get that political approval.

But that 16 months cost the guy on the street -- man and woman without a job, it was not an easy 16 months for him to get his political victory. So my argument was whatever political capital he needed to do, he should have spent it in the first two or three months and get on with jobs.

CHARLIE ROSE: President Obama, if he was sitting here, would say to you the most important thing we have achieved is not health care reform, is not even financial reform. The most important thing we do is that we saved this economy. That will be his argument.

And it is -- and he will also say, we saved the automobile business. He will make those two arguments.

BERNARD SCHWARTZ: I like those arguments. I happen to be -- given the choice tomorrow to vote for Obama, of course I would.

CHARLIE ROSE: The argument they're going to make is we saved the economy, we took emergency measures, we had to do that.

BERNARD SCHWARTZ: We should have done the things that were done we had to do.

CHARLIE ROSE: But your argument in terms of saving the economy -- the unfinished business is creating jobs because unemployment at nine-plus percent is unacceptable.

BERNARD SCHWARTZ: Charlie, I don't want to fight the argument. The argument is done. We've done the things necessary. Obama should get credit for some of those things, he should get discredit for things he didn't do well.

What I'm trying to say is today we're in another crisis. We're in a crisis for the guy on Main Street that is no smaller than saving the financial structure of this country that happened under Bush. We are no stronger -- the argument cannot be made any more about stimulus to the guy on the street who is not being helped.

And we have 19 million people like that. We can't afford to leave those people hanging until the thing turns around.

CHARLIE ROSE: What you want to do is see a \$1 trillion dollar commitment to infrastructure.

BERNARD SCHWARTZ: Multiyear.

CHARLIE ROSE: Over a multiyear plan, five or six years.

BERNARD SCHWARTZ: Right.

CHARLIE ROSE: And you believe that at the end of that six years you will create six million jobs?

BERNARD SCHWARTZ: Almost immediately that will be perpetuated for that period of time, and more as it goes along because other businesses will be created to serve a new segment of the population that now has consumer dollars to spend.

CHARLIE ROSE: The other argument that's made which you have heard before and many times is that we face a huge deficit.

BERNARD SCHWARTZ: Yes.

CHARLIE ROSE: We cannot at this time have another stimulus of any kind, another jobs creation program of any kind.

BERNARD SCHWARTZ: I don't know who makes that argument. I think we have more -- we have lots of Americans, but we have an America that is represented in Washington and understood --

CHARLIE ROSE: You do not see them calling for another stimulus problem.

BERNARD SCHWARTZ: They do not, they do not.

CHARLIE ROSE: So somebody is making that argument

BERNARD SCHWARTZ: I'm making the argument -- I'm not looking for a stimulus problem. I'm looking for an investment program over a period of years that is good for American business and put people back to work.

Now, there is a limitation to how much the government can borrow. I don't know what that is. Larry Summers does not know what that is. Geithner does not know what it is. If we asked them four years ago had we reached the limit, they would have said yes. And now it is much greater than it was then.

I'm a capitalist. I have all my money in the capital market. I believe in capital limitations and restraints. I believe it's better to have a surplus than a deficit, I believe that we have to make investments also.

And as a businessman I made investments in capital, in people, in R&D that caused some deficit at the beginning and paid off at the end. I am suggesting that we employ a very workable system -- simple system for the American society.

CHARLIE ROSE: And you are suggesting that if we do this, a short-term increase in the deficit. However, over the six years you increase jobs, you will ultimately reduce the deficit. You will increase tax revenues. You will improve competitiveness --

BERNARD SCHWARTZ: Yes.

CHARLIE ROSE: -- national security and because of all these things the quality of life.

BERNARD SCHWARTZ: Yes.

CHARLIE ROSE: If we make this commitment.

BERNARD SCHWARTZ: Yes.

CHARLIE ROSE: So in your judgment, what stands in the way of making this commitment?

BERNARD SCHWARTZ: There is a large body of thought that says -- they're deficit hawks who believes that in order to have a deficit -- an expenditure we have to have an offsetting reduction --

CHARLIE ROSE: And you think that's a false choice in the short term.

BERNARD SCHWARTZ: I think it's a false, unnecessary, and hurtful, yes.

CHARLIE ROSE: And hurtful?

BERNARD SCHWARTZ: And hurtful.

CHARLIE ROSE: When you say there are people, you must be talking about people in the administration.

BERNARD SCHWARTZ: I do.

CHARLIE ROSE: -- are making that fight -- the deficit hawks.

BERNARD SCHWARTZ: I do. Almost all the people on the financial side, I think that's true.

CHARLIE ROSE: That's Treasury and that's the economic council and that's all those --

BERNARD SCHWARTZ: I don't want to fight with those people but I think they have been wrong about this particular issue. They have not been wrong about it in 2010. They have been wrong about it since 2002 in which the same argument has been used every year that they cannot include a deficit expenditure.

Of course, they can use a deficit expenditure very easily when it comes to saving the banks. They can use a deficit expenditure for an undefined stimulus program --

CHARLIE ROSE: In other words, you're saying that when they saved the banks and they did those kinds of things, nobody said they can't do that because it will increase the deficit.

BERNARD SCHWARTZ: That's right. And it's business as usual on Wall Street today. The two Americas I talked about is Washington and Wall Street, and Wall Street has not changed its theme one bit. The same people who caused the crisis in '08 and '09 are still there. The bankers are still there except Lehman and Bear Stearns. And their method of operation is still there.

CHARLIE ROSE: And the recovery.

BERNARD SCHWARTZ: If you measure the recovery on the fees they've recovered.

CHARLIE ROSE: No, I'm measuring the basis on the parts of the banks you are talking in terms of performance.

BERNARD SCHWARTZ: If you measure the performance the answer is yes. I suggest to you there are 19 million people out there who don't believe that, who have gotten no signs that there has been improvement.

CHARLIE ROSE: And it is also argued that regional banks, you know, are not -- are not -- lending money. And corporate America is sitting on money.

BERNARD SCHWARTZ: Yes. There is plenty of liquidity out there.

CHARLIE ROSE: Because they're unsure about the future.

BERNARD SCHWARTZ: They don't -- if you're a small businessman, look what's happening. You're making more money than you did before. You have less vulnerability than you had going forward. The product demand for you is enough to satisfy what you have on board. Why should you change? They're in pretty good shape.

But I'll tell you, there is a passion among capitalists, small-business people, that if you give them a program that's not one year at a time, six, seven, eight years ahead, they will make their investments in people, in R&D, in plant expansion, in equipment. And that's what's missing -- that's what has been missing over the last dozen years.

CHARLIE ROSE: You also argue that if you do this you will have a multiplier effect --

BERNARD SCHWARTZ: Yes.

CHARLIE ROSE: -- on every dollar spent.

BERNARD SCHWARTZ: Yes.

CHARLIE ROSE: How does that work?

BERNARD SCHWARTZ: It works very simply. I open a job -- a factory. I put a hundred people there. They eat in the local delicatessen. They buy things at home. They put their children in school.

If it runs historically about 1.6 percent for every dollar that you spend you get about 1.6 percent in economic activity. It's not hard to understand. It's very easy to understand.

CHARLIE ROSE: If you do this five years from now, six years from now what will be the unemployment rate?

BERNARD SCHWARTZ: Well, if we only do this, the 19 million people will be reduced by six or seven million people if we only do this. But if we do the other things that we should be doing, we should be able to eliminate the 10 percent unemployment down to 5 percent, which is pretty good for us.

CHARLIE ROSE: You're petitioning the administration to make jobs and infrastructure their new domestic priority and their new domestic agenda?

BERNARD SCHWARTZ: That is exactly right. I am petitioning the president and his advisors to re-order their priorities so that job creation is the most important thing.

CHARLIE ROSE: In your judgment --

BERNARD SCHWARTZ: The only thing that's big enough in scale to get that many people is infrastructure.

CHARLIE ROSE: And duration?

BERNARD SCHWARTZ: And duration.

CHARLIE ROSE: Scale and duration.

BERNARD SCHWARTZ: Exactly so.

CHARLIE ROSE: Do you think it will happen?

BERNARD SCHWARTZ: I think there is a chance. I really do believe that if it does not happen or some indication by the federal government, by the president, that it's going to happen soon, I fear that the midyear elections are going to be local elections, that is to say the big issues will not count at all, it will be local, how many jobs are created in a particular district --

CHARLIE ROSE: Not health care, things like that?

BERNARD SCHWARTZ: The Democrats might lose a lot of ground and the next two years could be political and therefore economic crisis in the United States and therefore, around the world as well.

CHARLIE ROSE: Part of this is you have come to the conclusion that the economy per se is not going to put people back to work. It will not grow by itself. It will not grow by itself to provide the kind of employment that you think this society demands?

BERNARD SCHWARTZ: I think it will grow, but too slowly -- too slowly to make a real difference to Main Street.

CHARLIE ROSE: And the president ought to say it's unacceptable in the near term to have this kind of unemployment.

BERNARD SCHWARTZ: The president has to say this is what I want, this is what we've got to do. We're going to put people back to work. And people have got to believe him.

And he's got to say it in terms that they understand, not Wall Street, not business but the people on -- who are spending the money in the country.

The terminology is too tough for them to understand. They understand foreclosure. They understand when they lose their job or the neighbor loses his job. They understand when their kids can't get a job. They don't understand the highfaluting terms that motivate Congress and motivate Wall Street.

The president has got to go out to Main Street and really make his --

CHARLIE ROSE: OK, so make his speech for me before we close. What would be words that will be in the language of --

BERNARD SCHWARTZ: "I was left a real bad package. We are beginning to realize, or we began to realize how bad the package was. It's amazing to me, the president of the United States, it's amazing to me that the people in charge of the system didn't even know how much derivative paper was out there. It runs in the trillions. They didn't know how much toxic assets there was. It runs in the trillions. We have done some things to stop that bad slide.

Infrastructure -- health care was important to me. It should be important to the American people. We made available to 20-30 million people something that was not available before that couldn't have been done in the last 20-30 years. We did that. We did some other things -- financial reform.

The next job, Mr. American Citizen, is to put you back to work, put your neighbor back to work in American jobs and infrastructure that's going to make you feel good from the day you get up -- time you get up in the morning to the time you go to sleep at night."

It is not a hard message to sell for somebody who really wants to take a chance of doing that, and I think it will help his political climate.

CHARLIE ROSE: And he ought to say at the end you can hold me accountable for this.

BERNARD SCHWARTZ: Yes, sir.

CHARLIE ROSE: If I can't help you and help this economy as big and as great as it is create a job for you, then you should hold me responsible.

BERNARD SCHWARTZ: I believe that's very important to the American people. And I think, by the way, this president believes that he is accountable for success.

CHARLIE ROSE: Thank you for coming.

BERNARD SCHWARTZ: Thank you for having me here.  
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