Peter G. Peterson Fiscal Summit 2017:

Congressional Leaders: rising Debt and the Legislative Agenda

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Interview with Senator John McCAIN, R-AZ

INTERVIEWER: DANA BASH, CNN

In a series of one-on-one interviews, House and Senate Congressional leaders will explore the connection between America’s rising national debt and a crowded legislative agenda. The major areas of reform – including healthcare reform, tax reform, infrastructure, trade and more – all have significant fiscal implications. These timely conversations will center on ways to craft policy solutions that are both fiscally responsible and supportive of economic growth.

This interview with **Senator John S. McCain** (R-AZ) was conducted by CNN's **Dana Bash** as part of the [**2017 Fiscal Summit**](https://www.pgpf.org/what-we-are-doing/fiscal-summit).

Other installments in this series include interviews with: [**House Democratic Leader Nancy Pelosi**](https://www.pgpf.org/multimedia/congressional-leaders-rising-debt-and-the-legislative-agenda-nancy-pelosi) (D-CA) and [**Senator Mark Warner**](https://www.pgpf.org/multimedia/congressional-leaders-rising-debt-and-the-legislative-agenda-mark-warner) (D-VA).

\* \* \*BEGIN INTERVIEW\* \* \*

ANNOUNCER: Ladies and gentlemen, please welcome to the stage the president and CEO of the Peter G. Peterson Foundation, Michael Peterson. (APPLAUSE)

MICHAEL PETERSON: Thank you. Good morning and welcome to the eighth-annual fiscal summit, Rising Debt in a Changing Economy. I will make some opening remarks later this morning. But we're so thrilled to be able to have Senators McCain and Warner join us today.

They both have some hearings to attend. So we wanted to make sure we fit them in before beginning the rest of the day. Senator John McCain is the six-term senior senator from Arizona and chair of the Senate Armed Services Committee.

He's a well-des-- he has a well-deserted reput-- reputation as an independent voice in the Senate. He's spoken out for the need for fiscal responsibility across multiple administrations. Senator McCain has correctly noted that the burden of our national debt will fall on younger Americans. And that's an unfair inheritance to pass on. He argues forcefully for a strong national security, which is connected to our nation's fiscal health.

Senator Mark Warner will follow-- follow Senator McCain as the two-term senior senator from Virginia. He serves as the vice chairman of the Senate Democratic Caucus and the Senate Intelligence Committee. He too has been a strong voice-- voice for fiscal responsibility throughout his career, including his time serving as governor of Virginia.

Notably, he cofounded the Senate's Gang of Six, a very successful bipartisan effort to build support for comprehensive fiscal reform. With so much going on in the world today, we're very pleased to welcome these two leaders to the stage to-- to start today's program. And they will be interviewed by CNN's Dana Bash. First up is Senator John McCain. First up is Senator John McCain. (APPLAUSE)

DANA BASH, CNN: Thank you.

PETERSON: Thank you.

BASH: Thank you.

SEN JOHN MCCAIN R-AZ: Thank you very much.

BASH: Hi, everybody. I'm Dana Bash. And you might recognize this guy. (LAUGHTER)

MCCAIN: Might recognize this one, too. (APPLAUSE)

BASH: John McCain, the Armed Services chair and, I would say, tea partier before tea partier was cool, budget hawk. (LAUGH) So let's get started, unfortunately, on a topic that-- is incredibly unfortunate. And that, of course, is the attack in Manchester, in the U.K.

Just before coming on-- ISIS claimed responsibility. What do you know about that? And-- and frankly, d-- do you believe it? Or are they-- you think it's possible that they're glomming on to take advantage of something that happened?

MCCAIN: Well, first of all, thanks, Dana, for doin' this. Thank you all for being here this morning. And a special shout-out to my old and dear friend, Pete Peterson, who's done such a wonderful job for so many years of tryin' to make us aware of the fiscal challenges that we face.

And I'm very happy to be here this morning. And I'm always glad to be ahead of Mark Warner. (LAUGHTER) But-- Dana, this is just an-- it's a terrible tragedy. It's even more tragic, when it's these wonderful, beautiful young people that are-- had their lives extinguished so early. And our thoughts and prayers go out to them. But it shouldn't really surprise us too much. Because you do have a caliphate in Raqqa, where they are training people and sending them out to do-- commit acts of terror.

We have foiled, and the British have foiled, and every other country have foiled many, many-- possible attacks. But last night proved again that it really only takes one to, all of a sudden, just rivet our attention and inflict terrible damage and carnage on innocent-- people.

We're in a long twilight struggle with this radical extremism, this perversion of an honorable religion. And-- I get briefings all the time on it. And-- you hear about it all the time. But they're working very hard-- to be able to have the capability to inflict further acts of terror.

Now, I had-- I do not know anything about laptops, okay? And I have not been briefed. But it's interesting to me that we continue to read in the media that, maybe we're gonna ban them from aircraft, I mean, so-- from airliners. That can only lead to one conclusion, that-- that maybe they're working on that kinda technology.

So they're not only trying to commit the conventional or standard acts of terror. But they're tryin' to develop new ways-- to do so. So (SIGH) it's tragic. And it's sad. But it should, again, remind us that the struggle is a long, long way from over.

BASH: And-- obviously, a lot of people in this country, the first thing they think, obviously, is-- is-- is how horrible it is for the people-- in the U.K. But if it can happen there, can it happen here?

MCCAIN: I think the answer is obvious. We do have excellent people working in all our law enforcement agencies. I think that General Kelly-- the head of Homeland Security, is a very capable person. But you know, it-- it's-- it's-- it's so hard to make sure you foil every plot.

But it does-- I wanna j-- just mention again, it's very important that we take Raqqa as quickly as possible. That's where a lotta these things or laboratories are, where their experimentation is, where the-- even making some of these weapons. So it's very important that we destroy their base.

BASH: Do you think the president is being aggressive enough there?

MCCAIN: I think we are-- I th-- I think-- I d-- I-- yes, w-- we are. And the-- I don't wanna get into the weeds. But this whole issue of Kurdish involvement versus Turkey is-- is also complicating the whole situation, as you-- as you know.

BASH: Well, let's-- turn to-- a subject that is-- that-- the subject of this organization and of this summit and happens to be another bit of the news of the day, which is-- the president's budget is going to be delivered to Congress today. And it calls on Congress to spend $4.1 trillion next year to increase defense spending, of your-- interest, certainly, by $54 billion but also cut some safety net and domestic programs. First, your reaction to it.

MCCAIN: My reaction is it's probably dead on arrival. My second reaction is that-- what is that old line about figures lie and liars figure or somethin' like that? (LAUGH) It's not-- it's not a 10% increase in spending. It's a 3% increase in spending. They're using the baseline of the Budget Control Act. And I hate to get into the Washington speak, but--

BASH: I think this is a fine place to do it. (LAUGHTER)

MCCAIN: Bureau tit's-- it's a 3% increase. It does not rebuild the military. It doesn't give us the ships and the-- and the numbers of personnel we need, the capabilities we need. We are ramping up all of our expenditures. And we're gonna do more. We're gonna have to do more in Afghanistan.

We are spending very large amounts of money on all these operations that we're involved in. And so what it does, it heals some of the readiness wounds, i.e.-- 60% of our F-18 aircraft are not flying for lack of parts, those kinds-- of things. But as far as really-- the build-up that the president promised during the campaign, no, my friends, no, it's not there.

And-- we are facing challenges-- on a level we haven't seen since the Cold War. And this budget is totally inadequate. And now, I just-- I-- I have to add, I lay a large percent of the responsibility right in the lap of the Congress of the United States. And it's called the Budget Control Act. It's called sequestration.

We have cut defense by some 14% while domest-- entitlement spending has gone up some 59%. So-- if you want to address the deficit, and thank God for Pete Peterson and this foundation for all the great work they've done, you're gonna have to address entitlements. That's the dirty little secret in Washington, my dear friends. You're gonna have to address that issue. And so far, we've shown a singular lack of intestinal fortitude.

BASH: I wanna get to entitlements in a second. But just in-- in this budget, you say that the increase in defense spending isn't enough--

MCCAIN: It's three-- it's three per--

BASH: And-- and it's 3%, which is smoke and mirrors.

MCCAIN: And the thing that's aggravating about it is, they said, "Yes, we're going to have-- a dramatic increase in the number of ships, aircraft, et cetera." There's nothing in this budget that would even begin to address those shortfalls. We have two nuclear submarines that have been tied up at the pier for a year for lack of parts.

We've actually had to send people to the boneyard in Tucson, you know, where we keep all the old aircraft, to find parts, for God's sake. And don't think that the strain on the men and women in the military is not intense. You-- all of us meet these brave y-- men and women who are serving. They go back and back and back and back.

And so-- and finally, just to make your day better, the Air Force-- the Air Force is 1,000 pilots short. And guess who's retiring? The Vietnam-era pilots who all joined the airlines. Now, there's a huge exodus in retirement. And guess where the airlines are gonna go to get those pilots? A large number of them, they're gonna get from the military.

So we have all these problems-- challenges out there in the military. And frankly, a lot of us were very excited about the president's commitment. Today-- today-- it's business as usual. And if we're really gonna address the issue, repeal the Budget Control Act. Stop sequestration. It-- I think it's the worst-- s-- I think it's the worst fiscal measure that I can ever remember.

BASH: Assuming that doesn't happen, and just keeping with the budget that we've seen today, you said, again, that-- that it doesn't increase defense spending enough. And yet, in-- in order to pay for the increases that it does propose, cuts across the board: food stamps, disability insurance, public assistance for poor families, big Medicaid cuts, which is-- we'll get to-- broader entitlements in a minute. But are you concerned about the families and-- and the real people and, frankly, t-- to talk politics here, a lotta the Trump voters?

MCCAIN: A lot of the-- a lot of the programs can be-- administered much more efficiently. There's a whole lotta savings that can be created. But it's a little bit like this sequestration. It's not across-the-board cuts. It's examining these programs and finding out where there's fraud, abuse, waste on-- it's-- w-- where the spending is unnecessary, rather than these just across-the-board cuts.

Then I don't see this budget-- Dana, I don't see this budget goin' anywhere. I really don't. And so then, my dear friends, and I don't mean to-- to ruin your day this early, but so we just did an omnibus bill, as you know, to stave off, guess what, a government shutdown. Guess what's gonna happen in September. Same movie we're gonna see all over again. Go to the edge of the cliff. Enact a $1 trillion bill that nobody's seen or read, no amendment to it, and-- and so that we will prevent another government shutdown.

It's-- it's-- and by the way, I'd like to point out that a lot of our democrat friends are slow-walkin' things that used to be routine in the United States Senate, like appointments, especially of lower-level-- rather than cabinet people, the sub-cabinet people. Schumer, and you might wanna ask Mark Warner about this, is slow-walkin' every single one of 'em, takin' the 30 hours, then takin' another 30 hours, so that basically, we're spending a week to approve one nominee of the president.

I can guarantee you, we didn't do that in 2009. We did not do that. Because the president, a newly elected president, deserves to have a team around the president. And it's also-- that way of handling things is endem-- is-- is really a great example of how the atmosphere here in Washington has become poisoned. And it's really too bad. The-- did you see the approval rating of Congress is-- 14%? Did you see that? We're down to paid staff and blood relatives. (LAUGHTER) So-- anyway, anyway, that was pretty funny, I think.

BASH: I've heard that one before. (LAUGHTER)

MCCAIN: It's early. (LAUGH)

BASH: Entitlements. So th-- the president has included, basically, the cuts to Medicaid that were part of the-- the House-passed healthcare bill. But broadly, he-- one of the reasons why he won is his promise to not cut any of these entitlement programs. He-- he was very sort of un-republican, if you will, on that notion. And-- and a lotta people think it helped him win. So how are you gonna square that with what you just said about the need to r-- really focus on them and reform them?

MCCAIN: I can't. I d-- I can't. All I can say is that we all say things, perhaps, in the course of campaigns that-- either don't hold true because of reality we bump into, or we just-- reason why we're not held in such high esteem by the American people.

But the answer is, Dana, we saw, back-- in 1986, I believe it was, when Social Security was about to go broke, Tip O'Neill and Ronald Reagan, two old Irishmen that used to have drinks together in the White House, walked out in the Rose Garden and said, "We're gonna fix Social Security, my friends."

And guess what? We raised taxes. We raised retirement age. We-- we did some really tough things. But we couldn't do it republicans alone or democrats alone. They did it together. And nobody complained. We've got to have people sit down together. And by the way, Mark Warner, who's comin' up after me, has made a real effort-- in that area, to try to get us to work more closely together. And I applaud that. But if you're gonna fix entitlements, it's gonna mean sacrifice, which means it has to be bipartisan.

BASH: Do you think--

MCCAIN: And so far, we haven't seen that.

BASH: And-- and-- and do you think that there's any chance, in this environment, with this president, with this congress, that-- that can happen? Th-- is there a Tip O'Neill, Ronald Reagan moment out there?

MCCAIN: When there's a crisis, when we reach a crisis point, where there just simply is-- we're staring at-- either the collapse of the-- of the entitlement or some other aspect, where we are forced to act. But the reason, again, why w-- th-- w-- Regan and O'Neill were successful is because of the fact that they had a personal relationship.

And by the way, I have lots of personal relationships. But there has to be amongst our leaders and, particularly, beginning at the White House. Cer-- certain things begin at 1600 Pennsylvania Avenue.

BASH: So-- I'm sure you're aware. Part of the issue with the president and his agenda-- is that it has been clouded by controversy, Russia. I wanna ask about s-- a report that began in the *Washington Post*, CNN confirmed, that President Trump asked his DNI, Dan Coats, and NSA Director Mike Rogers to deny, in public, any evidence of collusion between his campaign and the Russian government.

MCCAIN: If it was reported by CNN, we believe it. (LAUGHTER) Anyway-- the--

BASH: Do you think it's obstruction of justice?

MCCAIN: I don't know. Because I d-- I don't know enough details. But it's troubling, obviously. But I can't leap to conclusions. But one thing I do know, and you know, because you've interviewed him many times, Dan Coats is a very honest, straightforward individual. And-- I can't imagine Dan Coats-- (LAUGH) I mean, he-- he's just a man of such integrity.

BASH: But-- but-- not-- yeah, I mean, obviously, the issue is, I guess, not about the response but the ask--

MCCAIN: Right, yeah. I-- I-- all I can say is it's gonna be part of this centipede that the shoes continue to drop. Every other day, there's a new-- there's a new article. There's a new revelation on CNN or the *New York Times* or the *Washington Post*. And we're a long way from over.

And could I just mention one thing? We've got two templates here. One, Watergate that dragged out for a long, long, long time and the downfall of a president. The other, Iran-Contra, where it was scandalous what we had done with weapons for the Iranians. And-- Ronald Reagan fired people. He went on national television and said, "I-- we did wrong. And I take responsibility." And we move on.

BASH: Do you think that--

MCCAIN: And he goes down in history, still, as one of the great presidents--

BASH: Do you think this president has it in him to follow the other template--

MCCAIN: I don't know. I don't know. I don't know. Because you don't know how presidents react in a crisis. And this, obviously, is-- on the path to being a crisis. Now, whether it actually is or not, we don't have enough information. But it certainly has sucked all the oxygen outta the room.

BASH: Well, t-- since you mentioned the-- you know, some historical references, I just wanna ask you. Because it's almost as if the drip, drip, drip is the new normal here. And-- and it's obviously not normal. (LAUGH) So what is your perspective, given the presidents that you've worked for, given your, you know, deep understanding of history and of governance and of public service? What is your kind of big-picture reaction to what you have seen thus far?

MCCAIN: It's extremely troubling. Because it absorbs our attention. We now, my friends, have a world in chaos. There is more danger to the world and to the United States of America since the end of World War II. The new world order that was established in 1947 is now under severe assault.

We have 6 million refugees outta Syria. We have 400 and some thousand killed. We have instability throughout the Middle East and the incredible pressures on the Baltics, the Balkans-- and of course, Vladimir Putin's-- behavior. So we don't need this now. We need to focus on the challenges that we are facing in the world today. And unfortunately, this situation has absorbed that attention. That's the real, I think-- unhealthy and unfortunate aspect of it.

BASH: I'd drill down on one of the-- of the drips-- again. And that is that Michael Flynn, the former national security advisor, who was fired-- has told the Intelligence Committee that he's gonna plead the Fifth. Do you think that the chairman, your friend, Richard Burr, should hold him in contempt of Congress?

MCCAIN: I think every citizen has the constitutional right to take the Fifth Amendment, to-- to protect themselves. So I also heard that there are certain documents that have been asked for. I don't think that's covered under the Fifth Amendment.

Now, if he refuses to-- to turn over documents that are requested, I think that's one thing. But for an individual to take their constitutional right of the Fifth Amendment, that's-- that's the United States of America. And I'm not in favor of violating anybody's constitutional rights.

But also, Dana, th-- it may take a little longer. But I think one reality is that a lot-- this thing isn't over. And I think it's gonna have a lot more events and information before it's over, whether General Flynn agrees to testify or not.

BASH: How do you think this ends?

MCCAIN: I don't know. Because I am, like you, surprised at some of the things that have been-- made public, some actions that have been made public. For example, I don't think that it's logical to assume that the president of the United States would ask the director of national intelligence not to investigate the Russia issue.

I just-- if you'da said that's gonna happen, I'd say, "Yeah, it's a lousy movie," you know? So I-- I don't know how it all ends. But I do know that we are in a situation which is, well, our conversation this morning-- that has taken all the attention of-- the American people (COUGH) and around the world. I just came back from a trip to the Balkans, where I'm very worried about the situation there. And always, the first question with these leaders is, "Tell me about Trump," you know? "Tell me about President Trump," you know?

BASH: If-- if-- if-- (LAUGH)

MCCAIN: Askin' me?

BASH: Yeah. (LAUGHTER) Well, if-- (COUGH) and we're outta time, but real quick, just if-- if the president were to call you and say, "John, you've been around for a while. How do I get back on track at this point--"

MCCAIN: Yeah, it's-- it's easy.

BASH: --what's your answer?

MCCAIN: It's easy. Get it all out. Do-- look at-- look at-- Iran-Contra. Get it all out. And if necessary, apologize. You know, Americans are very forgiving. Americans don't expect our president to be omniscient. We don't expect perfect people. And we are a very forgiving nation.

And-- if just-- we get it all out. And then if I made mistakes, I, president of the United States, and it has a nice ring to it, but that-- that-- (LAUGHTER) I made serious mistakes. But we're gonna put this behind us and move on. I think the-- I think that's really the best course of action. And again, there's a template for it back in-- Iran-Contra.

But I-- I-- let me just c-- one other point. I still wouldn't bet against America, my friends. I would not bet against his country. We are energy independent. W-- we have-- an economy that's-- that's getting stronger. We have the best military on Earth. We're still the-- the hope and beacon of people all over the world. We're the-- example that they wanna follow. Vladimir Putin is playing a weak hand with incredible skill.

The Chinese have this incredible demographic problem, because of their One-Child Policy for so long. Every t-- every one of these devices that all of us are now totally dependent on were invented in the United States of America, not Russia, not China, nowhere else. I would not bet against the United States of America. And these are very tough times right now. But we've been through very tough times in the past. And I believe that we've still got a long way to go.

BASH: That's a very nice place to end. Senator, thank you--

MCCAIN: Thank you.

BASH: --so much. Appreciate it. (APPLAUSE)

MCCAIN: Thank you.

\* \* \*END INTERVIEW\* \* \*