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Karl Rove Testifies Before Grand Jury; Pentagon Channel Stirs Controversy for Allegedly Staging Events; Middle Class Feeling Economic Squeeze
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LOU DOBBS, HOST: Good evening, everybody.

We'll be following the latest for you on this developing story in Iraq. We'll be going live to Baghdad for the latest details.

But we begin tonight with the intensified investigation into the CIA White House leak. Top presidential adviser Karl Rove today testified for a fourth time before the grand jury investigating the leak. Special prosecutor Patrick Fitzgerald could bring charges in that case soon, possibly as early as next week.

Tonight we'll be reporting on Rove's extraordinary testimony and what it could mean for a White House already on the defensive after plummeting poll numbers and a host of scandals.

We'll be reporting on the growing revolt against President Bush's policies and the Republican Party's conservative base. We'll have a special report for you on the Bush administration's failures to help middle class Americans who are now struggling to pay for life's necessities.

We begin with Karl Rove's grand jury testimony, Bob Franken with the report from Washington.

(BEGIN VIDEOTAPE)

BOB FRANKEN, CNN CORRESPONDENT (voice-over): He had no comment for reporters as he left. The president's chief political adviser, Karl Rove, saved his comments for the grand jury and spent more than three hours before a panel that knows him quite well, since it's his fourth time to testify.

Rove's lawyer says he volunteered to return after his last appearance, and special prosecutor Patrick Fitzgerald took him up on it, this time with no assurance that Rove would not be indicted, after "TIME" magazine reporter Matthew Cooper told the grand jury about a conversation he had with Rove that had not been previously disclosed.

Rove and the vice president's chief of staff, Lewis "Scooter" Libby, have been the two top administration figures whose names have come up repeatedly during this lengthy investigation into whether leaks that publicly identified undercover CIA operative Valerie Plame were illegal. Plame is the wife of Joe Wilson, who had been a harsh critic of the administration and its claims about Iraq's weapons of mass destruction program. As usual, the White House refused to comment on the fact that the president's deputy chief of staff had yet again appeared before the grand jury.

SCOTT MCCLELLAN, WHITE HOUSE PRESS SECRETARY: The president has made it very clear we're not going to comment on an ongoing investigation. What we're going to do is support the efforts of the special prosecutor.

(END VIDEOTAPE)

FRANKEN: And the lawyer for Karl Rove, Lou, put out a statement later in the afternoon which said in part, "The special counsel has indicated that he does not anticipate the need for Mr. Rove's further cooperation."

Karl Rove and the White House certainly are not looking to see what the special prosecutor does with that cooperation -- Lou.

DOBBS: Absolutely. Bob Franken, thank you.

White House press secretary Scott McClellan wasn't always so reluctant to comment on the CIA White House leak. McClellan's remarks today were very different from those he made in a press briefing just back in July, when he was asked about President Bush's opinion of Karl Rove.

(BEGIN VIDEO CLIP)

UNIDENTIFIED MALE: Does he retain confidence in Karl Rove specifically?

MCCLELLAN: Yes. Any individual who works here at the White House has the president's confidence. They wouldn't be working here if they didn't have the president's confidence.

UNIDENTIFIED FEMALE: Does the president still have full confidence in Karl Rove?

MCCLELLAN: Jessica, this is asking questions all in the context of an ongoing investigation.

UNIDENTIFIED FEMALE: He's one of the president's chief advisers. Does he have confidence in...

MCCLELLAN: Karl continues to do his duties as deputy chief of staff and senior adviser to the president, and you're trying to ask a question in the context of an ongoing investigation. The president has made it very clear we're not going to comment on an ongoing investigation.

(END VIDEO CLIP)

DOBBS: Very different answers from McClellan there, even though the leak investigation was underway in July, as well, and Karl Rove had already given testimony before the grand jury.

For the record, the CIA White House leak investigation has now lasted more than twice as long as the Watergate investigation.

Amid this growing unease over Karl Rove and the CIA leak investigation, conservatives are beginning to lose confidence with the Bush presidency. The rising list of problems and missteps at the White House is causing some conservatives to seriously question the direction of the Bush administration. The most serious cracks in the president's conservative base have come from the president's nomination of Harriet Miers to the Supreme Court.

Bill Schneider has the report.

(BEGIN VIDEOTAPE)

BILL SCHNEIDER, CNN CORRESPONDENT (voice-over): How is the Harriet Miers' nomination playing with grassroots conservatives around the country? We spoke to two of them, Tom Roeser, a radio talk show host in Chicago, and Steve Bainbridge, a UCLA law professor and blogger. They used the same word to describe conservatives' response to Miers.

TOM ROESER, WLS RADIO TALK SHOW HOST: I would describe the response as disappointment.

STEPHEN BAINBRIDGE, UCLA LAW PROFESSOR: I think there's a lot of disappointment among conservatives.

SCHNEIDER: The professor summed up the complaints.

BAINBRIDGE: There are three C's, if you will, and those are commitment, credentials and cronyism. And the first of those is the most important.

SCHNEIDER: Why is there concern about Miers' intellectual credentials than her conservative commitment? Because one is no good without the other.

ROESER: The Supreme Court has to have firepower, intellectual firepower, to stand up to Breyer and some of the other people.

SCHNEIDER: President Bush is saying to conservatives, "Trust me on Miers." Do they?

BAINBRIDGE: Ronald Reagan, who is the hero to many of us in the conservative movement, famously said, "Trust but verify." I'm willing to trust President Bush, but I want some verification.

SCHNEIDER: Why should conservatives be bothered by the charge of cronyism? After all, she's George W. Bush's crony. Because it's a lifetime appointment. They worry that after Bush leaves office, Miers could drift. She's anchored to a person, not to a philosophy.

Polls suggest conservatives still support Bush, but there's been a rupture. ROESER: I think conservatives are feeling there's an arrogance there in that appointment: take it, I dish it out.

(END VIDEOTAPE)

SCHNEIDER: My sources tell me this President Bush is not in as much trouble with conservatives as his father was when he broke his "no new taxes" pledge. He hasn't lost his base, but he's in danger -- Lou.

DOBBS: And of course, unlike his father, he's not running for re-election.

SCHNEIDER: That's right.

DOBBS: But 2006 looms.

SCHNEIDER: That's right.

DOBBS: Bill Schneider, thank you very much.

More trouble at the White House tonight, that trouble resulting from the controversy over the coaching of our troops before a videoconference with the president. Some senior military officers are outraged that troops in Iraq might be seen as props to advance the administration's agenda.

Jamie McIntyre reports from the Pentagon.

(BEGIN VIDEOTAPE)

JAMIE MCINTYRE, CNN CORRESPONDENT (voice-over): Some senior military officials bristled when they saw the tape of Allison Barber, a Pentagon political appointee, appear to coach soldiers in Iraq on how to interact with President Bush during a teleconference.

ALLISON BARBER, PENTAGON EMPLOYEE: But if he gives us a question that's not something that we've scripted, Captain Kennedy, you're going to have that mic and that's your chance to impress us all.

MCINTYRE: The apparent scripting was not only clumsy, say some in the military, but unnecessary. Commanders in Iraq insist their troops are overwhelmingly upbeat.

MAJ. GEN. RICK LYNCH, MULTINATIONAL FORCE, IRAQ: Every visitor that comes over and talks to our soldiers leaves with a positive assessment. And those soldiers just were giving their opinion.

MCINTYRE: A Pentagon statement said, "We certainly regret any perception that they were told what to say. It is not the case."

But the incident is raising questions about whether the administration is using the military to advance its agenda, not just in White House events but in other subtle ways.

Take for instance the Pentagon Channel, also under control of Allison Barber's Office of Internal Communications and Public Liaison. The cable channel is ostensibly to provide information to military and civilian employees of the Defense Department, but it's also available in 12 million homes on commercial cable systems.

UNIDENTIFIED FEMALE: Operation Iron Fist...

MCINTYRE: And it features newscasts by military journalists in uniform.

(on camera) Are you under any pressure to do the news in one way or another?

CPL. BRIAN BUCKWALTER, U.S. MARINES: Absolutely not. I'm out there to cover and record a story as it happens.

MCINTYRE: Don't look for any coverage of the controversy surrounding the president's orchestrated talk with the troops on the Pentagon Channel or, for that matter, criticism of the war in Iraq. You won't find it.

RALPH BEGLEITER, UNIVERSITY OF DELAWARE: It is a government exclusive point of view. And it simply tells the people who watch it what one agency of the U.S. government wants them to believe about a particular topic.

MCINTYRE: The Pentagon Channel was recently rejected for accreditation by the Radio/TV Correspondents Association, because there was no editorial separation between the journalists and their politically appointed bosses.

(END VIDEOTAPE)

MCINTYRE: Now, Lou, we asked the military journalists at the Pentagon Channel. They all said that they produce, they believe, fair and accurate reports. But some current and former staffers say that if they could say what they really think, their answer might be different.

And the question on these two events is the same. Are military personnel who have to follow orders being used to advance the administration's version of reality -- Lou.

DOBBS: Fair and balanced is always a matter of some perspective and always subjective. The fact that the Pentagon is producing news coverage is clear cut. I mean, that -- how does that differentiate it from psych ops that they would be conducting anywhere?

MCINTYRE: Well, they make a number of points. They say that the Pentagon Channel is aimed, first of all, at their own audience, the military, the Pentagon...

DOBBS: I'm not sure that's reassuring.

MCINTYRE: It's supposed to be like corporate communication.

And the other part is that they believe people know when they watch the Pentagon Channel that it is from the government, that they're not mistaking it for CNN or some other news service. And they can take it for what it is. And they argued it's not that much different from what they put on a web site or official press releases that they put out.

DOBBS: Jamie McIntyre, thank you very much, from the Pentagon.

In Iraq insurgents tonight cut power supplies to Baghdad just hours before Iraqis are scheduled to vote in a referendum on a new constitution. More than 300,000 American and Iraqi troops and police are taking part in the security operation aimed at protecting polling places and voters. The outcome of the referendum, of course, could help determine how long American troops remain in Iraq.

We'll have a live report from Baghdad for you later in the broadcast, bringing you the latest developments in the

blackout of the entire city of Baghdad and regions beyond.

Also, still ahead here, middle class Americans under siege from rising prices, falling wages, and the White House is doing next to nothing. We'll have a special report.

And how the Bush administration may sharply increase the cost of owning your home. We'll have that story.

And after eight days of heavy rains and flooding in the northeast, how much longer will the rainstorms last? We'll find out next.

(COMMERCIAL BREAK)

DOBBS: Tonight middle class Americans and those who aspire to the middle class face a growing cost of living crisis. Inflation last month up at the fastest pace in 25 years, while wages are falling. And Americans are being hit with new waves of job cuts, triggering new job insecurity for millions of workers.

Christine Romans reports.

(BEGIN VIDEOTAPE)

CHRISTINE ROMANS, CNN CORRESPONDENT (voice-over): The ingredients of middle class life are getting more expensive by the day. Gasoline, fuel oil, fruits and vegetables, medical care, education, all slashing American spending power.

BARBARA EHRENREICH, AUTHOR, "BAIT AND SWITCH": It is definitely harder to be middle class today than it was a generation ago. A generation ago, a family could be in the middle class on one person's earnings. Today, they've got to be two people's earnings.

ROMANS: And when you adjust those earnings for these higher prices, Americans' earnings fell in September.

So what are policy makers doing to help the middle class under assault? They're tightening bankruptcy laws to make it harder to start over. The Federal Reserve has raised interest rates 11 times. That makes the money you borrow more expensive.

And credit card companies, at the urging of the federal government, are raising the minimum payment you must make each month on your charge cards.

JOHN ROTHER, AARP: People are going to be facing much higher energy bill costs. Health care costs have been going up, new changes in laws, bankruptcy, changes in credit cards. This does add up to a real squeeze on most American households but particularly those who are on fixed incomes.

ROMANS: And news of a Social Security cost of living increase of 4.1 percent does little to take the sting out of a projected 30 percent increase in home heating costs this winter.

(END VIDEOTAPE)

ROMANS: It's no wonder that a gauge of the consumer today showed Americans with the worst feelings about the economy, Lou, in the last 13 years.

DOBBS: It's remarkable. This is quite an assault on the middle class working men and women in this country. And remarkably, there's so little discussion in Washington about public policies that would be targeted specifically for working men and women. It's quite the reverse, in point of fact.

ROMANS: And critics say it -- Washington is tone deaf from top to bottom.

DOBBS: And from party to party. Thank you very much, Christine Romans.

As the cost of living soars for middle class Americans, millions of middle class homeowners may soon lose a key tax break. A White House panel is set to propose a major reduction in the amount of mortgage interest that Americans can deduct from their taxes. It's a change that would seriously injure the finances of most American homeowners.

Casey Wian reports.

(BEGIN VIDEOTAPE)

CASEY WIAN, CNN CORRESPONDENT (voice-over): The median priced home in California is now an astounding \$569,000. As a result, even middle class homeowners here depend on tens of thousands of dollars in yearly mortgage interest tax deductions to make ends meet.

The White House Tax Reform Panel has tentatively agreed to sharply reduce that tax incentive for homeownership. Today most homeowners can deduct interest on homes up to \$1 million.

LINDA GOOLD, NATIONAL ASSOCIATION OF REALTORS: To cut that down to two-thirds, down to somewhere between \$300,000 and \$250,000, is a very harsh proposal, particularly when you compare today's market to the marketplace of 20 years ago.

WIAN: Along with charitable contributions, the mortgage interest deduction is one of the pillars of the American income tax system. Proponents say it's helped push homeownership to nearly 70 percent and sustained the nation's economic recovery.

DOUG DUNCAN, CHIEF ECONOMIST, MORTGAGE BANKERS ASSOCIATION: It seems like this sort of goes back and taxes the very thing that is one of those engines for growth.

I'm a pretty strong believer in the -- in the common sense of middle America, and they seem pretty firmly attached to benefits of the mortgage interest deduction.

CASEY: Mortgage interest limits are on the table because the White House panel is trying to make tax reform revenue neutral while still promoting homeownership.

JEFF KUPFER, EXECUTIVE DIRECTOR, PRESIDENT'S ADVISORY PANEL ON FEDERAL TAX REFORM: By making houses such a tax favored investment, it really distorts the amount of investment that goes into the housing market that could maybe go to other more productive uses.

CASEY: Panel members want to eliminate the alternative minimum tax, because it's becoming a burden to a growing number of middle class households. Doing so would cost the treasury about \$120 billion a year. So they need to find the money somewhere else. And it appears that place is from the pockets of some of the 37 million American homeowners who claim the mortgage interest deduction each year.

WIAN: The tax reform panel's final recommendations are due at the end of this month. Then a formal proposal will go to the White House, which must then convince Congress that reducing the mortgage interest deduction is a good idea.

Casey Wian, CNN, Los Angeles.

(END VIDEOTAPE)

DOBBS: Your government is here to help.

Well, Americans obviously facing harder times than we have in decades, and that may be one reason why many of us are also ruder than we've been in decades.

According to a new A.P./Ipsos poll, nearly 70 percent of Americans say people are ruder than 20 or 30 years ago. But while most people seem to agree that rudeness abounds and is growing, very few people would actually admit to being themselves rude. Only 13 percent admit, in fact, to making an obscene gesture while driving, for example. Only a third of the people polled admitted to swearing in public.

It seems at least for those of us on this broadcast to be somewhat low, those percentages. That brings us to our poll question tonight. Do you believe Americans are ruder today? Yes, no, kiss off. Cast your vote at LouDobbs.com. We'll have the results later in the broadcast.

Still ahead, we'll be going live to Baghdad for the latest on the insurgent attack that has knocked out the city's power grid just hours before the election on the constitution.

Also, New Jersey declaring a state of emergency after new downpours. The latest on the dangers of northeast flooding, coming up.

And another U.S. government official has finally discovered there are problems with our border with Mexico. We'll have the latest "Broken Borders" convert. You will be surprised. Here next.

(COMMERCIAL BREAK)

DOBBS: New Jersey tonight declared a state of emergency after its eighth straight day of torrential rain and flooding. Heavy rain still falling over New Jersey and a wide area of the northeast tonight. And flood warnings and flood watches remain posted from central New Jersey to as far north as Maine.

The flood emergency in the northeast is now expected to last through the weekend. New York and New Jersey will dry out, we're told by the forecasters, sometime tomorrow, but these torrential downpours will persist across much of New England through Sunday.

In northern New Jersey today, officials ordered the mandatory evacuation of hundreds of residents as floodwaters rose. Some residents had to be rescued from their homes in boats, and rivers in New Jersey are in danger of cresting tonight.

In New Jersey the National Guard was called up in an effort to help with relief and to rescue residents.

The U.S. military is also stepping up its relief efforts in South Asia tonight. U.S. military planes dropping tons of emergency supplies to the sick and needy after Saturday's earthquake. They're in a race against time. Heavy rains are expected in the earthquake zone this weekend.

And tonight emergency workers in Pakistan are calling off their search for more survivors. Pakistan is building tent cities for the estimated 2.5 million people who have lost their homes. More than 25,000 people are feared dead from earthquake, which hit Pakistan, India and Kashmir.

In Pakistan the earthquake disaster has triggered a rare sign of cooperation between the United States and Iran: U.S. airmen helping Iranian troops unload a military plane loaded with medical supplies.

And in Washington today, President Bush went to the Pakistani embassy to sign a book of condolence. The president today said the United States is ready to help Pakistan in any way it can as Pakistan deals with the earthquake disaster.

Turning now to the border security crisis in this country and the lack of a coherent national immigration policy. The Republican leadership in the Senate is finally promising to make border security enforcement and immigration reform top priorities on their agenda this fall.

As Louise Schiavone reports now from Washington, that's a notable shift from just weeks and months ago.

(BEGIN VIDEOTAPE)

LOUISE SCHIAVONE, CNN CORRESPONDENT (voice-over): Just this summer Senate Majority Leader Bill Frist said that Congress was unlikely to take up immigration reform this year but that has changed.

SEN. MITCH MCCONNELL (R), KENTUCKY: What we're leaning toward is finding time for a debate on immigration.

SCHIAVONE: What's changed for Frist is the issue of border security. This week he took a helicopter tour of the Texas border, but no touring is required to know that his fellow Republicans, especially those along border states, are getting a lot of pressure from their constituents.

SEN. KAY BAILEY HUTCHINSON (R), TEXAS: It is becoming a huge issue in our country of crisis proportions, frankly.

SCHIAVONE: Hutchinson says that, beyond the millions of Mexicans who cross the border, illegal aliens from other countries, 150,000 a year and increasing, are taking advantage of the nation's porous borders.

JOHN KEELEY, CENTER FOR IMMIGRATION STUDIES: We've just seen more and more chaos where you've even gotten citizen activists, elderly men and women, retirees, taking armchairs and cell phones to the border to try to do something that their federal government is not. And that has changed the whole calculus here.

SCHIAVONE: In an insider poll of Washington lawmakers this summer, the "National Journal" found that almost half of the Republican House and Senate members responding said that immigration was the issue most on the minds of their constituents.

(END VIDEOTAPE)

SCHIAVONE: Lou, Senate Democrats favor immigration reform that eases channels for foreign workers to enter and stay in the U.S. It's not unanimous, but the prevailing sentiment among Republican leaders is that border security is the nation's most urgent order of business -- Lou.

DOBBS: It is remarkable in that we are now more than four years from September 11, and those lawmakers are only now awakening to the fact that three million illegal aliens crossed our borders last year, enticed here by employers hiring them illegally and an administration that is ignoring and not complying with nor enforcing federal law. And to have the Senate leadership awaken to this and, we presume, soon the House leadership, it's just utterly remarkable.

SCHIAVONE: Lou, it's interesting, as you say, that after 9/11 people are finally waking up to the possibility that there are dangerous people entering the United States.

DOBBS: Extraordinary. Thank you very much, Louise Schiavone. We'll put that down under progress.

Coming up next, we're just hours away from what will be a critical constitutional vote in Iraq. Insurgents have already attacked the power and water supplies of Baghdad and cut them off. Just how bad is the situation? We'll have a live report for you on the very latest developments from Baghdad next.

The White House continues to have a mess of a month as the president's base continues to crack. We'll try to sort it all out for you with our news makers.

And an important report on outsourcing. You're not going to believe this, but the federal government actually doctored the results of that study and that report before last year's presidential election. I know you can't believe it, but we'll tell you who doctored it and presumably why. Stay with us.

(COMMERCIAL BREAK)

DOBBS: Insurgents in Iraq today sabotaged power supplies to Baghdad just hours before the referendum on whether

to accept a new constitution. The outcome of this referendum could help determine how long our troops will remain in Iraq and whether Iraq will be plunged into civil war.

Aneesh Raman reports from Baghdad -- Aneesh.

ANEESH RAMAN, CNN CORRESPONDENT: Lou, good evening.

Seventy percent of the capital now without power. The towns of Baiji and Musaif (ph) to the north of us also seeing large areas in a blackout after an insurgent attack on a main electricity tower between those towns in the north and the capital city.

We have spoken just a short time ago with the minister of electricity. They are working to bring power back. They say they are hopeful it can come gradually to the capital tomorrow.

They say it will not affect though that key vote which is now just about five and a half hours away. The constitutional referendum that could very well determine whether Iraqis stay on this political process or whether they eject this government and bring a new national assembly into power by mid December.

That's key for U.S. troop numbers here. General Casey, the head of multinational forces, has long said that the October referendum as well as the December general elections are key variables in determining whether there can be any reduction in U.S. troops.

And that is why security is also incredibly high. The borders are closed, the provincial border is closed as well. The streets are empty. A curfew has been in place for a few days now.

The biggest threat they say tomorrow are going to be suicide bombers who wait in line with Iraqis at the polls. They are urging Iraqis to distance themselves as they wait to vote so as not make themselves more of a target -- Lou.

DOBBS: Aneesh, first, much of the power had been restored to Baghdad, certainly not perfect by any stretch of the imagination. Is this the first, not only major disruption, but first real interruption by the insurgents and electrical power to the city in recent weeks?

RAMAN: Well we see consistent failures in the power due to failures within the system. It hasn't been -- it's been quite some time, perhaps even two months since we have seen an insurgent attack that has affected power here.

And no one can recall really when we have seen it of this magnitude. Again, 70 percent of the capital without power, those other towns of Baiji and Musaif (ph).

It is a key insurgent tactic to find vulnerabilities, to have attacked a tower that might not have been incredibly secure, but the officials on the ground will say it is at some level a success.

We're not reporting right now car bombs or suicide bombings in the capital. We're reporting that the power is out. But, the insurgency very clearly making its presence known on the eve of the country's constitutional referendum -- Lou.

DOBBS: Aneesh, thank you very much for your always terrific reporting. Bring us the details as soon as you gather more. Thank you, Aneesh Raman, from Baghdad.

A former French ambassador to the United Nations has been charged in Paris with corruption and bribery in the multi-billion dollar oil for food scandal in Iraq.

Jean-Bernard Merimee is accused of receiving oil vouchers from Saddam Hussein's regime. Merimee, not the only Frenchman caught in the U.N. oil for food scandal. At least ten other people, including a former interior minister, could also face charges.

This case is a huge embarrassment for France. It appears that Merimee and other French officials were bribed to

support an early end to U.N. sanctions against Saddam Hussein's regime. Those bribes may also help explain why France failed to support the war in Iraq.

And joining me tonight with the news makers from Washington are Senior Political Analyst Bill Schneider and here in New York our Legal Analyst Jeffrey Toobin, former White House political director for President Reagan, Ed Rollins. We thank you all for being here. Ed, good to see you. ED ROLLINS, FMR REAGAN POLITICAL DIRECTOR: Nice to see you.

DOBBS: As a Republican political strategist, you have to think this is just unbelievable.

ROLLINS: I would say at this point in time it is a dark period that hopefully the next few weeks will start turning it back around. I think the critical lesson here is this is not a quick turnaround.

It's going to be a slow tedious process and the most important thing for the president is that he not, basically, do anything drastic that going to alienate the base that he has left.

DOBBS: That base, of course, agitated by a host of issues, Jeff, but the fact that Karl Rove, the president's architect, his boy genius, has spent four hours testifying before the grand jury for a fourth time today, what does that mean?

JEFFREY TOOBIN, CNN LEGAL ANALYST: In legal terms it means that he's under suspicion by the grand jury and it means that by October 28th when the grand jury is supposed to expire, he should know and the world should know whether he is going to be charged with anything or not.

And I think the White House on a personnel matter will be on kind of suspended animation until that's resolved.

DOBBS: Suspended animation. The import of this, however, is that he volunteered. Are we to draw from it that he's a target or a principle subject in this investigation or what?

TOOBIN: I think, grand jury investigations are like icebergs. Virtually, all of what matters is below the surface. We don't know how much jeopardy he's in. Clearly, he's in some jeopardy and clearly we'll know by the end of the month, but beyond that I think it is just really rank speculation.

DOBBS: What we should point out, one person, the only person to be victimized in prison in this investigation, Judith Miller, "The New York Times" reporter, having the contempt citation lifted by the judge. The import?

TOOBIN: The import is that she is now legally in the free and clear. That she's out of jeopardy and so that's good for her.

But a very important precedent was set and a disturbing one for us reporters because it is really now open season on us in federal courts. That we have no legal protection to resist subpoenas and there are more of them coming down the pike. In the Winhole v. Sybil (ph) case there are four reporters facing contempt, possible jail and there are likely to be more.

DOBBS: It is extraordinary and again Judith Miller deserves all of the credit in the world from everyone in our craft for having the guts to stand up for a basic tenant of the craft and that is the confidentiality of sources, paying the price for doing so. Bill Schneider, you have reported on the cracks in the president's base, the fact that Harriet Miers, we can just go through the list, the charges -- the targets -- the charges of corruption, can it get any worse for President Bush in your judgment?

SCHNEIDER: It can always get worse ask just about any politician. We are, of course -- the test will be a year from now, November 2006, at the midterm election, when a lot of people are looking toward a six-year itch election. Six years after a president takes office, typically his party suffers a severe setback and that's what has Republicans very worried.

If that happens in 2006, if they were to lose, say control of the House or the Senate, then I think the president's agenda would be, probably doomed.

DOBBS: Probably doomed but the principle elements of that agenda if not doomed have certainly been side tracked and stalled. We're not hearing any talks now, Ed Rollins, about political capital and how he's going to spend it.

ROLLINS: There is no political capital at this point in time. This is a president who just got re-elected in a very smart election, 11 months ago and already people are trying to label him a lame duck.

The critical thing here is you are going to find a lot of members of Congress who will not be endangered species. They are going to go home, take polls, and they are going to think they are endangered species. When the president's numbers get to 38, the base drops for everyone. And all of a sudden members who are at 55 or 60 are going to see their numbers below 50 and they are going to get panicky and all of a sudden you'll find a lot of inaction.

DOBBS: In some perverse way could this spur Congress, which has been, frankly a do nothing Congress, on the issues that really matter to middle class Americans?

71 percent of those people polled say they want borders secured, they want immigration, illegal immigration, shut down. Is there any sort of positive that is going to come out of this and people are actually going to start representing their constituents?

TOOBIN: I doubt that. Particularly because there you have the Republican party even that doesn't have a single unified position on immigration.

DOBBS: I thought we were lucky on that for a second.

TOOBIN: That may be, but it suggests that they are not going to get anything through. But, remember, Harriet Miers, there is still not one senator on the record promising to vote against her. And for all of the problems, I still think if you had to bet today, if I had to bet today I'd bet she would be confirmed.

Now, that may not make some people happy but it would be a success for the president. DOBBS: John Fund sat here last night on this broadcast, "The Wall Street Journal's" eminent writer, and said, gentlemen, that he believes that there are 55 senators who are not ready to vote for Harriet Miers and are very disappointed with the president for nominating her.

So, I'm going to give you guys an opportunity, if I may. Bill Schneider, does she get confirmed?

SCHNEIDER: At the moment I would say doubtful, doubtful. I think that if it came to a vote there would be enough Republicans to defect and enough Democrats who won't support her that I think it is going to be tough for her to get confirmed.

ROLLINS: If the president loses this is one, this is his White House counsel, this is a person without any scandal in her background, it's his personal choice and he's put it all on the line. If he loses this one, his term is over. He's lame duck as of right now. You are going to see that house members and the Senate all go do their own thing. And it won't be good for the Republican party.

TOOBIN: And party unity, is such that I think at the end of the day he will get more than 50 of the 55 Republicans and she will be confirmed. And I'm really shocked to hear Bill say that, but whenever Bill talks, I listen.

ROLLINS: I agree with that. I think she will be confirmed. I think they will have to twist arms and call on every chip that they have but at the end of the day she'll be confirmed.

DOBBS: I wish we had time to ask you all to reexamine your responses on whether or not this might inspire Congress to begin representing their constituents, but we'll have to leave it where you did, gentlemen. Thank you very much, good to see you, Ed Rollins, Bill Schneider, Jeffrey Toobin, as always.

The Bush administration doctored a major report on the export of American jobs to cheap foreign labor markets before last year's presidential election. The Commerce Department report on offshore outsourcing was delayed four

months while it was rewritten to better fit the administration's stand, it's official stand, that off shoring is good for the American economy.

Bill Tucker reports.

(BEGIN VIDEOTAPE)

BILL TUCKER, CNN CORRESPONDENT (voice-over): This 12-page report cost more than \$300,000 and was delivered to Congress over a year late. It is a report by the Commerce Department on the impact of the off shoring of American jobs.

Its release came only after a Freedom of Information Act filing by "Manufacturing and Technology News," which first drew attention to the doctored report, and under pressure from the House Science Committee, which funded the study. RICHARD MCCORMACK, "MANUFACTURING & TECHNOLOGY NEWS": I'm not sure if it's a lie or if it's just a cover-up or -- they won't answer those questions so I don't know.

I asked the questions but they didn't answer them. So what it is, is 12 pages of not breaking any ground on a really important issue.

TUCKER: Even more disturbing is the report presented to Congress is not the report that analysts wrote.

RON HIRA, AUTHOR, "OUTSOURCING AMERICA": This is a very disturbing revelation and questions a lot of the integrity of reports that come out of the government.

TUCKER: In the rewritten report, Congress is told that it is, quote, "not possible to determine whether the shift of U.S. work to non-U.S. locations resulted in job losses for U.S. workers."

Yet at a presentation in December, the report's authors acknowledged that there is a, quote, "surplus of low-cost, technically-skilled labor in other countries," and that there is, quote, "growing pressure in corporate America to offshore I.T. work."

MARTIN KENNEY, UNIV. OF CALIFORNIA-DAVIS: We the people expect our government to be unbiased and therefore providing us the best possible information and providing our representatives in Congress the best possible information from which to make policy. And I think in this case the report fails.

TUCKER: Representative David Wu is on the committee that commissioned the report and has issued a statement saying the report did not address the congressional mandate and he is concerned that it was substantially changed.

(END VIDEOTAPE)

TUCKER: Well, late tonight the committee's ranking member, Congressman Bart Gordon from Tennessee called me and called the report, quote, "a scrubbed down, white-washed report," unquote.

The Commerce Department denies that the report was changed or is, in fact, biased. The spokesman also noted, Lou, that the department is in the middle of a second study on off shoring. This is a two-year deal and it's funded for \$2 million.

DOBBS: Well, I think we ought to -- as we have said -- straight out, the government has in point of fact lied to us and we would like to have anyone from the Commerce Department, the United States government come here and set us straight on that because I'm tired of hearing people say it appears it was changed, it was this. It was changed. It was doctored straightforwardly.

TUCKER: You talk to the people who saw the original presentation and the one that was presented to Congress -- it was changed. DOBBS: And as I remind everybody on this broadcast, our staff, our producers, and what we try to bring to you at home every night is a nonpartisan reality. That's our responsibility.

It's also the responsibility of our government, and a responsibility that they fail altogether to fulfill in this case.

Thank you very much, Bill Tucker.

Coming up next here, between a shortage of priests and a fresh scandal in the churches of Los Angeles, the Catholic Church faces difficult times. Up next, we'll take a closer look with Father John Paris, he's our guest.

Stay with us.

(COMMERCIAL BREAK)

DOBBS: A Jesuit magazine close to the Vatican condemns boxing as, quote, "a legalized form of attempted murder."

"Civiltà Cattolica" compares the sport to the violent gladiator contests of ancient Rome. It also reports fighters who don't die in the ring often suffer lifelong physical and psychological injuries.

Just to corroborate that, we conducted our own research to check out the dangers of boxing, and the Jesuit magazine is absolutely correct in its assertion. There are 79 deaths per million participants in boxing. To compare and contrast with another dangerous sport, in football just seven deaths per million players.

The cases of sex abuse in the Catholic Church are well documented, but a new study by the "Los Angeles Times" finds that the cases of abuse within the Los Angeles diocese are far more widespread than previously understood. The "L.A. Times" found that alleged abusers served in three-quarters of the 288 parishes in the diocese.

Father John Paris is a professor of bioethics at Boston College, joining us tonight from Boston.

Father, are you surprised at just how widespread the abuse is?

REV. JOHN PARIS, BOSTON COLLEGE: Yes, I am.

As one who spent his whole life in the Catholic Church, and most of it in the priesthood, I'm just shocked by the extent of these affairs.

DOBBS: And, Father, as we continue to see the revelations about the extent of pedophilia in the Catholic Church it becomes all the more remarkable that the church has not reacted, has not acted to protect its flock and, in fact, has protected the pedophile priest.

PARIS: Well, part of the issue was that they -- the church approached -- particularly the bishops approached these priests as pastoral problems rather than as criminal problems. And their concern was to rehabilitate these men rather than to be concerned with the terrible, blatant danger their preying on innocent children was involved with.

And the issue always was how do we protect the priests, how do we protect the church, how do we protect the institution rather than how do we protect children.

It was a terrible mistake and it's a terrible tragedy.

DOBBS: Is it a tragedy from which the church has learned and which there is, in your judgment, an absolute assertion of accountability and response and protection for the parishioners, and an absolute removal of those priests?

PARIS: Well, the priests who were the pedophiles have been removed, there's no question of that. And there are now training programs in place required of every priest -- everyone working for a Catholic institution must go to these training programs identifying how to protect children.

I think these are important steps, but the most important step, I think, is that we have to know what happened.

As I was reading this material this morning, all I could think of was Nixon during Watergate with the modified limited hang out. The answer is it didn't work for Nixon and it's not going to work for the church.

DOBBS: And you think the Vatican understands that?

PARIS: I do not think they understand it.

DOBBS: Well, that's unfortunate, because the church is facing so many challenges from so many quarters, but not the least of which and perhaps among the most important certainly is the lack of people entering seminaries, and the average age of new priests rising from 20s, the mid 20s now to late 30s. I mean, that's a remarkable development.

PARIS: It's an enormous shift.

When I entered in 1960, into the Jesuits, we had 43 in my class. This year there are two.

Those numbers are dramatic. They're across the board, and it's a substantial problem.

If we're going to serve the church, we must have priests to do it.

DOBBS: With all of the negative publicity dealing with the pedophilia, the other issues with the church, including dogma, there is always raised the issue of celibacy, which many theologians say -- and some in the church, some out -- saying that the requirement for celibacy on the part of nuns and priests is really not theological, it has no basis in - as a matter of fact, in the church hundreds of years ago that priests and nuns did not have to be celibate.

Give us your thinking.

PARIS: Well, nuns were always going to be celibate and religious priests, but the priests serving in the parishes, celibacy is not a requirement. It's a discipline in the church. It's not a theological requirement. Until the Council of Elvira in 306, there was never even a concern.

And it really wasn't until the 12th century that it became a concern and the concern had nothing to do with celibacy; it had to do with economics. The church was concerned that the children of the priests were inheriting the property and it was to protect that property that it came in.

It is a discipline. There's no theological requirement in the church and there are, in fact, in the orthodox church, in the eastern church, there are priests who are married and there is no theological objection whatsoever to their functioning as priests.

DOBBS: What do you see as the principle obstacle to young men entering the priesthood and certainly the issue of women in the priesthood?

PARIS: Well, the chief obstacle to young men, I think, is a very secular society, a very materialistically-oriented society. Second is I think that most young men that I know want to raise families and they want the love and the compassion and the concern and the commitment of having families and that acts as an impediment to their joining the priesthood.

The second part is there's a long tradition in the church, since the 12th century, and the church moves very slowly but the issue being debated in Rome this very week, and I'm not expecting a change in the near future but I certainly anticipate that these developments will occur.

DOBBS: Reverend John Paris, we thank you very much for being with us here tonight as always.

PARIS: Thanks, Lou.

Still ahead here, heroes -- our weekly salute to the men and women that serve this country in uniform. Tonight the story of an Army staff sergeant who survived against incredible odds. Stay with us.

(END VIDEOTAPE)

DOBBS: Now our weekly salute to our nation's heroes, our men and women in uniform. Tonight Staff Sergeant Jessica Clements, who volunteered to serve our country at a very young age and who was so severely wounded soon after she arrived in Iraq that she had almost no chance to live. Philippa Holland has her story.

(BEGIN VIDEOTAPE) PHILIPPA HOLLAND, CNN CORRESPONDENT (voice-over): Staff Sergeant Jessica Clements joined the army reserve while still in high school and she immediately tapped into the soldier's fighting spirit.

STAFF SGT. JESSICA CLEMENTS, U.S. ARMY RESERVE (RET.): A lot of people said, oh, you can't do it. You won't make it. You won't make it through basic training. So just by them saying that gave me more drive to prove everybody wrong that I could do it. So -- and I did and I proved them all wrong and here I am now.

HOLLAND: She served over nine years in the Army Reserve before her unit was called to active duty in Iraq in January 2004.

CLEMENTS: In Iraq I was squad leader so I was in charge -- I had my own squad of people.

HOLLAND: Jessica and her unit were expected to stay in Tagi, Iraq for approximately a year.

CLEMENTS: My time obviously was cut short. I was only there for three months before I got hurt.

HOLLAND: On May 5, 2004, she was in a truck that was hit by an improvised explosive device. Shrapnel pierced her brain and entered her lower back.

CLEMENTS: I was rushed to the hospital, and he saw that my brain was swelling. He removed the right portion of my skull. He literally cut it off. For safe keeping, he placed the skull piece in my stomach.

HOLLAND: Doctors gave her a two percent chance of living. She underwent three brain surgeries, including to reattach her skull. And that began the long recovery process.

CLEMENTS: I had to learn basically to do everything again.

HOLLAND: But her harrowing experience deepened her commitment to other soldiers, particularly those with similar injuries.

CLEMENTS: It made me feel better just going and talking to them just to let them know that they will be OK.

HOLLAND: Jessica received a Purple Heart and a Bronze Star. She was honorably discharged from the Army in February.

CLEMENTS: Even though I'm out of the army and they discharged me, I'm always going to be a soldier at heart. Always.

HOLLAND: Philippa Holland, CNN.

(END VIDEOTAPE)

DOBBS: And what a heart she has. We'd also like to recognize the photographer that took those stunning images of Sergeant Clements. Jim Gehrz was nominated for a Pulitzer Prize for feature photography for his portraits of Sergeant Clements. Our congratulations to Mr. Gehrz.

Still ahead here, the results of our poll tonight. And we'll tell you what is coming up next week. Stay with us.

(COMMERCIAL BREAK)

DOBBS: What you've been waiting for, the results of our poll tonight. Sixty-eight percent of you say Americans are ruder today. Eight percent say no we're not, and 24 percent of you replied kiss off.

Thanks for being with us tonight. Please join us next week when our guests include the two bright, young minds behind jibjab.com. They're out with a new movie on one of our favorite topics.

And the vice chairman of the Senate Intelligence Committee, Senator Jay Rockefeller.

For all of us here, we wish you a very pleasant weekend and good night from New York.

ANDERSON COOPER 360 starts right now with Heidi Collins -- Heidi.

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