



## THE (REAL) BLOOMBERG STORY

Sunday, September 21, 2008

*Every Sunday CUIP's president Jacqueline Salit and strategist and philosopher Fred Newman watch the political talk shows and discuss them. Here are excerpts from their dialogue on Sunday, September 21, 2008 after watching "The Chris Matthews Show," "Meet the Press" and "The McLaughlin Group."*

**Salit:** We saw three sets of issues under discussion simultaneously this morning. What happened to the financial markets and what should be done next? Who or what is to blame for the collapse? And, how do the events of the last ten days impact on the presidential race? In broader terms, though, the discussion is about managing a free market economy and what forms of government intervention and regulation are desirable and/or necessary. So, let me begin by asking you whether this debate is a pragmatic one or a philosophical one?

**Newman:** The latter. It's philosophical. If your credo is "make as much money as you can by any means necessary," but then you say you have to regulate that, what could that mean? How do you regulate something that is, by definition, not to be regulated? That seems to me to be fundamentally a philosophical question.

**Salit:** OK. Perhaps another "way in" on this debate is that many people have pointed out that even the most ardent free market proponents did a 180 degree turn this week, going from free market theology one day, to advocating for government bailout and nationalization the next.

**Newman:** It's hard to know how regulation fits into that, since neither one is about regulation. If it's either free enterprise or government ownership, where exactly does regulation fit in?

**Salit:** Good point. I suppose regulation is meant to be the happy medium. But it doesn't seem to be making anyone very happy, at least not so far.

**Newman:** Years ago, I interviewed Robert Reich, the former labor secretary in the Clinton administration, on a cable television show I co-hosted with Dr. Lenora Fulani. I'd read a number of Reich's books and remember being struck by his account of regulating the corporate sector with sets of rules that were gradually adopted over the second half of the 20<sup>th</sup> century. Those regulations oversaw the transition of the American economy from one that was largely based on manufacturing, to one based largely on finance. Reich described how the major corporations hired teams of lawyers to figure out how to circumvent every new set of regulations that came along. In fact, as he described it, the composition of corporate boards of directors shifted over time from manufacturing experts to lawyers, because the companies were so invested in finding,

and creating, loopholes in these regulations. The thing that Reich described then will happen again almost immediately.

**Salit:** To be sure, Fred. As you wrote in *The End of Knowing*, the more the economy and wealth creation became a regulatory game, the more the issue became having the political influence necessary to control the regulations.

**Newman:** Control of that game became the preoccupation of American politics.

**Salit:** Presumably, that's what the taxpayers need protection from.

**Newman:** Protection from what?

**Salit:** From greedy speculators on Wall Street and/or from over-regulation that will grind the economy to a halt. From things over which they have no control.

**Newman:** You just hit the nail on the head, Jack. "From things over which they have no control." That's the point. If you don't have any control over things, protection doesn't do you any good. The taxpayers don't need protection. They need power. Which means, they need more democracy. Look, I grew up going to the movies in the '40s and '50s when Westerns were very big. A lot of these movies about life on the frontier had similar plotlines. When Wells Fargo, or the banks or the speculators ran roughshod over farmers and ranchers, the ordinary citizens got together, grabbed their rifles, and ran the bankers and speculators off their land. Today, the weapon in the hands of the American people is democracy. That's what allows them to exercise their power. If you want to rein in the bankers and the speculators, give the people more democracy.

**Salit:** Well, that's what independents want. Political reform. Opening up the process so that ordinary people have more direct political power.

**Newman:** Yes. If you want to solve the economic crisis, deregulate democracy.

**Salit:** Mike Bloomberg was a guest on *Meet the Press*. First off, I was struck by the fact that Tom Brokaw didn't introduce him as an independent nor did Bloomberg describe himself as an independent, even though that's key to his political success. But, Brokaw introduced him as someone at a "triple crossroads," as a billionaire, as a mayor of a city that is the capital of international finance and as the owner of a financial services company. Bloomberg was smart, kind of Professor Reasonable, talking about the need to restore confidence in the markets and the need for Congress to debate long term solutions to the housing crisis, the failure of the education system, the instability of the retirement system. He railed against the "culture of instant gratification," but he saved his most pointed remarks for a discussion of the Democrats and Republicans. Here was his bottom line, his formula for "addressing the partisanship that has paralyzed our country:" What the Democrats need to understand, he said, is that capitalism creates wealth. What the Republicans need to understand is that capitalism needs to be regulated and the financial industry needs to follow the regulations. If they can come to

that understanding, Bloomberg says, there really will be no difference between the parties and things can move forward.

**Newman:** OK. But everybody knows that. The issue is how you get there. How? With more democracy. By bringing more people into the process. You see, that's actually the Mike Bloomberg story. Unfortunately, he doesn't tell it.

**Salit:** Nobody does. Except us.

**Newman:** That's right. Now, what is that story? It's the story of how 59,000 votes on the Independence Party line in 2001 made him mayor of New York City.

**Salit:** It's the story of how he had to turn to the independents to give him his margin of victory.

**Newman:** A new political force, brought in by an expansion of democracy, put him in office. And that's the very point. When you bring the people in, when you expand democracy, they make the right choice. In a very partisan town, we elected a nonpartisan mayor. And he's been a very good mayor, because he's not a partisan. But today Bloomberg won't tell the story of how he got elected.

**Salit:** We have to tell it.

**Newman:** To the best of our ability, in the ways that we can. But it's a crucially important story, because it's a case study in the kind of government that people choose, when new forces and new voters are brought in and given a central role in the political process.

**Salit:** How do you see the financial crisis – and the response to it – impacting on the presidential race?

**Newman:** That's hard to say. It should favor Obama. If Obama can grab the moment.

**Salit:** Here's what some commentators, like Eleanor Clift on *The McLaughlin Group*, said about how he can grab it. She said he needs to hammer the Republican Party as the author of the philosophy that begets this kind of crisis.

**Newman:** The problem is that it isn't true. Because both parties are authors of the philosophy that begets this crisis. No, Obama has to, in effect, make a lesser of two evils argument for himself. He has to say, *Look, the political system is corrupt. Both parties are corrupt. They have together presided over an economic policy that gave rise to this situation. I am someone who has taken on the corruption of my own party. John McCain did that too, eight years ago, until he got the message that he'd never be the Republican nominee unless and until he remade himself into a total party guy. I took on the corruption of my party and won. I became the nominee. And, Obama can add, no small part of the corruption of my party was to allow Wall Street to dictate the terms of*

*globalization without allowing the American people to play a more active and direct role in shaping our trade and other economic policies. I stood up to the proponents of that policy and I was supported in that by independents, who are the most outspoken advocates for more democracy. In November, the voters will choose between the Republicans and the Democrats. Have the Democrats been as much a part of the problem as the Republicans? Yes. Have I begun to change that? Yes. Will I use my presidency to extend and expand democracy so that the American people become the decision makers? Yes. That's what change really means in America in 2008.*

**Salit:** Thanks, Fred.