April 23, 2010

BILL MOYERS: Welcome to the JOURNAL. We’ll get to two big battles in Washington in just a moment -- financial reform and the future of the internet. But first, I want to thank those of you who wrote after you heard me say last week that the JOURNAL will come to an end with next Friday’s broadcast. It’s true, and all of us here were touched by your messages of regret. I will miss the virtual community of kindred spirits that has grown up around this broadcast -- viewers like you, as we say, whose unseen but felt presence reminds me of why I have kept at this work so long. But it has been a long time, and that’s why I can assure you that my departure is entirely voluntary. Many of you wrote to say you were alarmed at the possibility that we are being pushed off the air -- that higher ups or dark powers pointed to the door and said, “Go.” You can relax; it didn’t happen. I’m leaving for one reason and one reason alone: it’s time. Believe me, it wasn’t an easy decision: I like what I do, cherish my colleagues and enjoy your company. But I’ll be 76 in a few weeks, and there are some things I want to do that the deadlines and demands of a weekly broadcast make impossible. So for me, it’s now or never. I informed public television of my decision more than a year ago, intending to leave back in December. But my colleagues at PBS asked me to extend the series four more months to give them time to prepare a new public affairs series. More on that next week.

Now to the big rumble of this week -- and I’m not talking about that volcano in Iceland. I’m talking about the fight to reform our financial system.

PRESIDENT BARACK OBAMA: There is no dividing line between Main Street and Wall Street.

BILL MOYERS: You probably heard the President speaking in New York yesterday, stumping for more regulation of Wall Street:

You’ve also probably heard about the government’s charge that Goldman Sachs committed a highly sophisticated fraud. The claim is that this kingpin of Wall Street made a bundle by packaging mortgage debt as exotic investments some in the firm knew would fail.

That word “fraud” pops up more and more as we dig deeper into Wall Street’s outrageous behavior during the run up to the great collapse of 2008. We heard it right here on the Journal, one year ago.

WILLIAM K. BLACK: Fraud is deceit. And the essence of fraud is, “I create trust in you, and then I betray that trust, and get you to give me something of value.” And as a result, there’s no more effective acid against trust than fraud, especially fraud by top elites, and that’s what we have.

BILL MOYERS: That was Bill Black, who’s no stranger to bank investigations. He was a senior regulator for the Federal Home Loan Board who cracked down on banking during the Savings & Loan crisis of the 1980s.

OUR POSTS
April 23, 2010
Will Lawmakers Avert The Next Financial Collapse?...

YOUR COMMENTS
“Dear Bill Moyers I need not add anything that others had already posted here. Thank you. Grat...” - Donald Wong
Just this week, he was on Capitol Hill testifying about another failed financial firm, Lehman Brothers.

WILLIAM K. BLACK Lehman’s failure is a story in large part of fraud. And it is fraud that begins at the absolute latest in 2001.

BILL MOYERS: Bill Black is with me now. One of the country’s leading experts on crimes in high places he teaches economics and law at the University of Missouri-Kansas City, and wrote this book, THE BEST WAY TO ROB A BANK IS TO OWN ONE. Welcome back to the JOURNAL.

WILLIAM K. BLACK Thank you.

BILL MOYERS: What did you think of the President’s speech late this week?

WILLIAM K. BLACK It’s a good speech. He’s a very good spokesman for his causes. I don’t think substantively the measures are going to prevent a future crisis. And I was disappointed that he wasn’t willing to be blunt. He used a number of euphemisms, but he was unwilling to use the F word.

BILL MOYERS: The F word?

WILLIAM K. BLACK The F word’s fraud in this. And it’s the word that explains why we have these recurrent, intensifying crisis.

BILL MOYERS: How is that? What do you mean when you say fraud is at the center of it?

WILLIAM K. BLACK Well, first, when you deregulate or never regulate, mortgage bankers were never regulated, you effectively have decriminalized that industry, because only the regulators can serve as the sherpas, that the FBI and the prosecutors need to be able to understand and prosecute these kind of complex frauds. They can do one or two or maybe three on their own, but when an entire industry is beset by wide scale fraud, you have to have the regulators. And the regulators were the problem. They became a self-fulfilling prophecy of failure, because they, President Bush appointed people who hated regulation. I call them the anti-regulators. And that’s what they were.

BILL MOYERS: This hearing that, where you testified this week, looking into the bankruptcy at Lehman Brothers, had something on this.

TIMOTHY GEITHNER: And tragically, when we saw firms manage themselves to the edge of failure, the government had exceptionally limited authority to step in and to protect the economy from those failures.

BEN BERNANKE: In September 2008, no government agency had sufficient authority to compel Lehman to operate in a safe and sound manner and in a way that did not pose dangers to the broader financial system.

ANTON VALUKAS: What is clear is that the regulators were not fully engaged and did not direct Lehman to alter the conduct which we now know in retrospect led to Lehman’s ruin.

BILL MOYERS: The regulators were not fully engaged. I mean, this is an old story. We all know about regulatory capture where the regulated take control of the regulators.

WILLIAM K. BLACK Yeah, but this one is far worse. That’s not very candid testimony on anybody’s part there. The Fed had unique authority. And it had it since 1994 to regulate every single mortgage lender in America. And you might think the Fed would use that authority.

And you might especially think that, if you knew that Gramlich, one of the Fed members, went personally to Alan Greenspan and said, there’s a housing bubble. And there’s a terrible crisis in non-prime. We need to send the examiners in. We need to use our regulatory authority. And Greenspan refused. Lehman was brought down primarily by selling liar’s loans. It was the biggest seller of liar’s loans in the world.

And when we look at these liar’s loans, we find 90 percent fraud. 90 percent. And we find that most of the frauds are not induced by the borrower, but they’re
overwhelmingly done by the loan brokers.

**BILL MOYERS:** And liar's loans are?

**WILLIAM K. BLACK** A liar's loan is we don't get any verified information from you about your income, your employment, your job history or your assets.

**BILL MOYERS:** You give me a loan, no questions asked?

**WILLIAM K. BLACK** No real questions asked. Certainly no answers checked. In fact, we just had hearings last week about WaMu, which is also a huge player--

**BILL MOYERS:** Washington Mutual--

**WILLIAM K. BLACK** --in these frauds. Washington Mutual, which used to make, run all those ads making fun of bankers who, because they were stuffy and looked at loan quality before they made a loan. Well, WaMu didn't do any of that stuff. And of course, WaMu had just massive failures. And who got in trouble at WaMu? Who got in trouble at Lehman? You got in trouble if you told the truth. They fired the people who found the problems. They promoted the people that caused the problem, and they gave them massive bonuses.

**BILL MOYERS:** I watched the testimony where you were present the other day in the Lehman hearings. And there was a very moving moment with a former vice-president of Lehman Brothers who had gone and tried to blow the whistle, who tried to get people to pay attention to what was going on. Take a look.

**MATTHEW LEE:** I hand-delivered my letter to the four addressees and I’ll give a quick timeline of what happened, May 16th was a Friday, on the Monday I sat down with the chief risk officer and discussed the letter, on the Wednesday I sat down with the general counsel and the head of internal audit, discussed the letter. On the Thursday I was on a conference call to Brazil. Somebody came into my office, pulled me out, and fired me on the spot with out any notification. I stayed, sorry.

**BILL MOYERS:** Matthew Lee, vice-president of Lehman Brothers, fired because he tried to blow the whistle. What does that say to you?

**WILLIAM K. BLACK** Well, it tells me that they were covering up the frauds, that they knew about the frauds and that they were desperate to prevent other people from learning.

**BILL MOYERS:** Matthew Lee told the accounting firm Ernst & Young what was going on. Isn't the accounting firm supposed to report this, once they learn from somebody like him that there's fraud going on?

**WILLIAM K. BLACK** Yes, they're supposed to be the most important gatekeeper. They're supposed to be independent. They're supposed to be ultra-professional. But they have an enormous problem, and it's compensation. And that is, the way you rise to power within one of these big four accounting firms is by being a rainmaker, bringing in the big clients.

And so, every single one of these major frauds we call control frauds in the financial sphere has been-- their weapon of choice has been accounting. And every single one, for many years, was able to get what we call clean opinions from one of the most prestigious audit firms in the world, while they were massively fraudulent and deeply insolvent.

**BILL MOYERS:** I read an essay last night where you describe what you call a criminogenic environment. What is a criminogenic environment?

**WILLIAM K. BLACK** A criminogenic environment is a steal from pathology, a pathogenic environment, an environment that spreads disease. In this case, it's an environment that spreads fraud. And there are two key elements. One we talked about. If you don't regulate, you create a criminogenic environment because you can get away with the frauds. The second is compensation. And that has two elements. One is the executive compensation that people have talked about that creates the perverse incentives. But the second is for these professionals. And for the lower level employees, to give the bonuses. And it creates what we call a Gresham's dynamic. And that just means cheaters prosper. And when cheaters prosper, markets become perverse and they drive honesty out of the market.

**BILL MOYERS:** You also wrote that the New York Federal Reserve knew about this so-called three-card monte routine. But that, the man who led it, at the time,
Timothy Geithner, now the treasury secretary, testified that there was nothing he could do.

**TIMOTHY GEITHNER:** In our system the Federal Reserve was a fire station, a fire station with important, if limited, tools to put foam on the runway, to provide liquidity to markets in extremis. However, the Federal Reserve, under the laws of this land was not given any legal authority to set or enforce limits on risk-taking by large financial institutions like the independent investment banks, insurance companies like AIG, Fannie and Freddie, or the hundreds of non-bank financial firms that operated outside the constraints of the banking system.

**BILL MOYERS:** Now, what I hear is the gentleman who was then chairman of the New York Fed, saying, I, we had this job to do, but we didn’t have the authority to do it.

**WILLIAM K. BLACK** Yeah.

**BILL MOYERS:** We were the fire truck, but we didn’t have any water in our hose.

**WILLIAM K. BLACK** Yeah, this was pretty disingenuous, because other portions of his testimony, he explained why there was this gap. And he said it was because we repealed Glass-Steagall. Well, the Fed pushed for the repeal of Glass-Steagall.

**BILL MOYERS:** Glass-Steagall was the act that was repealed in the late nineties that separated regular banks from investment banks, right?

**WILLIAM K. BLACK** Correct. So this is a deliberately created regulatory black hole, created by the Fed. And then the Fed comes into the hearing, eight years later, and said, we were helpless. Helpless to do anything, because of a black hole we designed.

**BILL MOYERS:** Well, it doesn’t stop there, because as I listened the other day, I heard that the Securities and Exchange Commission knew that Lehman was repeatedly ignoring its own risks, but it did nothing. Here’s what the new chairman of the SEC, Mary Schapiro, had to say the other day, about why the commission fell down on the job. Take a look.

**MARY SCHAPIRO:** The SEC didn’t have the staff, the resources, or quite honestly, in some ways, the mindset to be a prudential regulator of the largest financial institutions in the world. It was such a deviation from our historic disclosure-based and rules-based approach to regulation to come in and be a prudential supervisor. The staff was never given the resources. This program peaked at 24 people for the entire universe of the five largest investment banking firms in the world.

**WILLIAM K. BLACK** Well, this is another example, the self-fulfilling failure. This wasn’t done under Mary Shapiro’s watch.

**BILL MOYERS:** Right--

**WILLIAM K. BLACK** This was Chris Cox, who was Bush’s appointment. And he’s the one who decided, we’re only going to send 24 people to deal with all of the largest investment banks in the world. Now that’s a farce. And everybody knows it’s a farce. He didn’t want effective regulation. We both spent time, considerable time, in Texas. And you know, the joke, one riot, one ranger, right?

**BILL MOYERS:** Texas ranger, right.

**WILLIAM K. BLACK** Treasury Secretary Geithner testified that in the circumstances they were dealing with at Lehman, “We were on the brink of the destruction of the entire global financial system.” And then Chairman Bernanke testified how many people the Fed sent to Lehman to prevent us on the brink of global collapse.

**BILL MOYERS:** And how many?

**WILLIAM K. BLACK** Two. They have a staff of thousands. This is criminal negligence except, because he’s a federal employee, we can’t charge him with a crime.

**BILL MOYERS:** Let’s talk a moment about the government’s allegations against Goldman Sachs. I mean, I get dizzy just reading about it. But the Wall Street Journal reporters did a terrific job this week of trying to sort it out. And they say, “It centers on a deal Goldman Sachs crafted, so that the hedge fund king, John Paulson, could bet on a collapse in housing prices.” Is that your reading of it?
WILLIAM K. BLACK Yes, I mean, the complaint actually focuses on lying to investors. So it's a very traditional securities fraud complaint.

BILL MOYERS: Not about Paulson, by the way. He's not mentioned in the complaint.

WILLIAM K. BLACK No, but that's really interesting. And as to whether he will be mentioned eventually in this complaint, because Paulson has lots of potential liability on this one. John Paulson was allowed by Goldman, indeed encouraged by Goldman, to create a "Most Likely to Fail" list. So he took, within a particular category, the absolute worst stuff, because he wanted to bet that the stuff would fall in value. And they were certain to fall in value in terms of the economics.

BILL MOYERS: Wasn't he betting that people wouldn't be able to pay their mortgages?

WILLIAM K. BLACK Not even necessarily that, because most of these are liar's loans, again. And they will not pay, right? It's not an issue of liar's loans, will it work or will it not work. It's only when will it blow up. A liar's loan will blow up. If housing prices keep going up for three years hugely, then they will blow up in the fourth year.

But they will blow up. So he was betting against something that he knew was going to blow up. He didn't necessarily know the timing, but he proved to be right about the timing, because we know from the SEC complaint that he was in a rush to get this. He knew that the housing collapse was imminent. And he had to get this deal done right away. And Goldman Sachs felt the same thing. So they went and they got themselves a dupe, ACA. And they told the -- ACA is a group that puts together and supposedly checks the quality of mortgages. Not very well, as it turned out, of course. An investor would obviously want to know that this portfolio was picked to fail. Instead, they were told, according to the SEC complaint, "No, no, no, no. There's no John Paulson out there. There's only ACA, and it's in your corner. And it's picking a portfolio most likely to succeed." Now if John Paulson knew that Goldman was making those representations, then John Paulson knew those representations were false. And that could make him an aider and abettor.

BILL MOYERS: So tell me where the fraud might be in there, if the government proves its case.

WILLIAM K. BLACK Well, the fraud is, I'm representing to you, the potential investor, that a competent professional independent firm, ACA, looking after your interests, has picked this portfolio because they believe it's most likely to succeed. When in fact, the portfolio was selected overwhelmingly by Paulson and was selected because it was deliberately chosen to fail.

BILL MOYERS: The complaint names only one person, Fabrice Tourre, if I get the name correct.

WILLIAM K. BLACK That is correct.

BILL MOYERS: Who was 27 at the time. Would he have been acting without supervision on a deal of that enormity?

WILLIAM K. BLACK Oh, not even close. And this was-- this was part of a package of about 18 deals as well. So as big as this package was, and it was huge, the overall package was absolutely the type of thing that received personal attention of the leaders, the absolute top leaders at Goldman Sachs. So it's very curious to me that the SEC has failed to name the higher-ups.

BILL MOYERS: Why did it take so long for the Securities and Exchange Commission, the SEC, to kick into gear on this? I mean, have they kicked into gear?

WILLIAM K. BLACK Well, they haven't kicked into gear fully, or they'd be naming Blankfein and other senior leaders of Goldman. And they've, as you just mentioned, they've only gone after a junior person. And there would be, if they were really in gear, there would be criminal charges here. And if they were really in gear, there'd be a broad investigation, not just of Goldman, but of all of these major entities.

In the last three weeks, we have finally done a half-baked investigation, mind you. Not -- nothing like we did in the Savings & Loan days -- of Washington Mutual (WaMu), Citicorp, Lehman, and Goldman. And we have found strong evidence of fraud at all four places.
And we have looked previously at Fannie and Freddie and found the same thing. So the only six places we've looked, at really elite institutions, we've found strong evidence of fraud. So where are the other investigations? Why are there no arrests? Why are there no convictions?

BILL MOYERS: Well, Bill, where are the other investigations? Why have there been no arrests? Why have there been no convictions?

WILLIAM K. BLACK Because we have still Bush’s wrecking crew in charge of the key regulatory agencies. Why are they still in place? They have abysmal records as major causes of this crisis.

BILL MOYERS: You talk about the Bush appointees still being there, but Goldman’s former lobbyist, his treasury secretary, Timothy Geithner’s chief of staff, the head of the Commodity Futures Trading Commission, Gary Gensler, who may soon have new power over derivatives, worked for Goldman.

So did the deputy director of the White House National Economic Council, the under Secretary of State is a former Goldman employee. Goldman’s hired Barack Obama’s recent chief counsel from the White House on his defense team. I mean--

WILLIAM K. BLACK Don’t forget Rubin.

BILL MOYERS: Robert Rubin, whose influence is all over the place, who used to be--

WILLIAM K. BLACK It's his protégés that are in charge of economic policy, under Obama.

BILL MOYERS: So is this administration, which still has some Bush holdovers in it, and now has a lot of Goldman people in it, is this administration going to be able to pass judgment on Goldman Sachs?

WILLIAM K. BLACK Well, so far, they haven't been able to do it. They can't even get themselves to use the word fraud.

There’s a huge part that is economic ideology. And neoclassical economists don't believe that fraud can exist. I mean, they just flat out -- the leading textbook in corporate law from law and economics perspective by Easterbrook and Fischel, says - - I'll get pretty close to exact quotation. "A rule against fraud is neither necessary nor particularly important." Right?

Notice how extreme that statement is. We don't need laws. We don't need an FBI. We don't need a justice department. We don't even need rules like the SEC. The markets cleanse themselves automatically and prevent all frauds. This is a spectacularly naïve thing. There is enormous ideological content. And it fits with class. And it fits with political contributions.

Do you want to look at these seemingly respectable huge financial institutions, which are your leading political contributors as crooks?

BILL MOYERS: TheHill.com website says Goldman Sachs is uniquely positioned to fight this case, that it spent $18 million over the last decade lobbying members of Congress, and put millions more in their campaigns. I mean, you’ve said elsewhere. That's smart business, right, to invest in the politicians who are going to be investigating you?

WILLIAM K. BLACK I would tell you, the Savings & Loan crisis, our phrase was, “The highest return on assets is always a political contribution.”

BILL MOYERS: Well, all right. You’re a member of Congress. The Supreme Court has said, "Goldman Sachs can spend all it wants in November to defeat you." Are you going to take them on?

WILLIAM K. BLACK Absolutely, but I would never be elected to Congress because of that. So let me -- in terms of that Supreme Court decision, if corporations are going to be just like people, let me tell you my criminologist hat. Then let's use the three strike laws against them. Three strike laws, you go to prison for life, if you have three felonies. How many of these major corporations would still be allowed to exist, if we were to use the three strike laws, given what they’ve been convicted of in the past?
And in most states, they remove your civil rights when you're convicted of a felony. Well, let's take away their right to make political contributions that they're found guilty of a violation.

BILL MOYERS: Bill, are you describing a political culture, that is criminogenic?

WILLIAM K. BLACK: It's deeply criminogenic. And this ideology that both parties are dominated by that says, "No, big corporations wouldn't cheat. Fraud can't happen. Market's automatically excluded," is insane. We now have the entitlement generation as CEOS. They just plain feel entitled to being wealthy as Croesus with no responsibility, no accountability. They have become literal sociopaths. So one of the things is, you clean up business schools, which right now are fraud factories at the senior levels, right?

They create the new monsters that take control and destroy massive enterprises and cause global economic crises, cause the great recession. And very, very close to causing the second Great Depression. We just barely missed that. And there's no assurance that we've missed it five years out.

BILL MOYERS: This brings us back to what the president said this week. He said the crisis was born of a failure of responsibility from Wall Street to Washington. You've just described that. That brought down many of the world's largest financial firms and nearly dragged our economy into a second Great Depression. But he didn't name names. He doesn't say who specifically was responsible. You have. But the president doesn't name names.

WILLIAM K. BLACK: No, and one of the most important things a president has is the bully pulpit. We have not heard speeches by the president demanding that the frauds go to prison. We have not heard speeches from the attorney general of the United States of America, Eric Holder. Indeed, we haven't heard anything. It's like Sherlock Holmes, the dog that didn't bark. And that's the dog that is supposed to be our guard dog. It must bark. And it must have teeth, not just bark.

BILL MOYERS: Bill Black, thank you for being back on the Journal.

WILLIAM K. BLACK: Thank you.

BILL MOYERS: The fight to clean up our financial system is just one of the battles being duked out between big money and the public interest. Here's another: The fight over control of the Internet. This is crucial to every other fight between corporate and public America. At stake right now is what's called "net neutrality." Essentially that means the Web should remain a small "d" democratic forum for all comers open and available to everyone.

The big media companies that provide broadband for the Internet don't like that notion. They want the power to censor Internet content they don't like. And they want toll booths on the web so they can charge more for the privilege of driving in the fast lanes. You can learn more by going to our website at pbs.org/moyers. We'll link you to a documentary special we produced four years ago called "Net at Risk."

Back in 2007, shortly after that report aired, "The Associated Press" reported that Comcast, the nation's largest cable provider, was manipulating the speed of web traffic and discriminating against certain customers. The Federal Communications Commission told Comcast to stop it. Comcast argued back that the commission had no business telling it how to manage network traffic. Now a federal court of appeals has come down on Comcast's side, ruling that The FCC has limited authority to regulate the Internet.

At issue is whether the Internet is a medium of communications like the others the FCC has historically regulated, or just an information service beyond most government oversight. Advocates of net neutrality argue that if the FCC simply reclassifies broadband as a "communications service" the commission will have the authority it needs to enforce an open Internet. With me now is Michael Copps, who is serving his second five-year term as an FCC commissioner. This one-time professor of history, influential Senate staffer and Assistant Secretary of Commerce is an outspoken advocate for an open Internet and a staunch opponent of media conglomeration. He just may be the most knowledgeable fellow in Washington on how communication's policy affects you and me.

Welcome, Commissioner Copps, back to the JOURNAL.

MICHAEL COPPS: Thank you for having me back.

BILL MOYERS: So let's start with some clarity of terms. What does net neutrality
mean to you?

MICHAEL COPPS: Well, it's kind of an inelegant term for the need that we have to keep the most transformative technology that we have had, this is broadband and the Internet, I think more transformative than anything since the printing press. How do we make sure that it achieves its promise and potential for the average American citizen?

Our future is going to ride on broadband. How we get a job is going to ride on broadband. How we take care of our health. How we educate ourselves about our responsibilities as citizens. This all depends upon being able to go where you want to go on that Internet, to run the applications that you want to run, to attach the devices, to know what's going on. That's what net neutrality is all about.

And it's absolutely imperative that we have a place, that we have a venue to go to, to make sure that that Internet is kept open. You have a choice. I mean, you can say do we want our cable company or our telephone company to handle all of this? Or do we want to make sure that the government has some oversight here? That's our decision to make as a people, as citizens. Who's going to control this ultimately? Who's going to make sure this isn't about regulating the Internet, this is making sure that the Internet is kept open and that others don't close the doors and become gatekeepers or the keepers of those tollbooths that you talked about before.

BILL MOYERS: So is that metaphor apt? I mean, is it realistic that Comcast and AT&T and Verizon want to set up a price system so that, if you've got more money, you get there and go faster than those if you don't have money? Is that crude?

MICHAEL COPPS: You know I think what history tells us is if you're a business, and you have the technical capacity to advance yourself by short changing somebody else, or disadvantaging somebody else and you have a financial incentive to do that, somebody's going to try.

Now, that doesn't mean that I'm here blasting every company or every business executive that's out there. But somebody's going to try. And it's the bad apples that you've got to protect against

BILL MOYERS: And your concern is that these big telecommunications agencies can monopolize the traffic that gets on the Internet? Or at least the speed--

MICHAEL COPPS: Yes.

BILL MOYERS: At which they we travel?

MICHAEL COPPS: Absolutely. But what does it mean, practically, then that the federal appeals court said to the FCC, which has regulated telephones, radio, television, "You can't touch"-- in effect, "You can't touch broadband. You can't touch the Net."

MICHAEL COPPS: Well, some people are saying that we're out of that business now. I don't believe that's true. But I will tell you this, the previous FCC basically gave, the courts, a gilt edged invitation to do what they did. We used--

BILL MOYERS: The Bush administration.

MICHAEL COPPS: Right. We used to--

BILL MOYERS: Under Michael Powell, who was the chairman of at the time, at the FCC?

MICHAEL COPPS: We used to call communications, telecommunications. But at the behest of a lot of the big companies back in 2002, over my strong and serious objections, we decided to call it something else. And move it from that part of the law, which said telecommunications has to provide consumer protection and privacy, guarantee the public safety, and you have some oversight responsibility, we took it to another section that says, you know, it's kind of a Never-Never Land. You don't really have to do anything. And we put it there.

BILL MOYERS: What did you call it?

MICHAEL COPPS: We called it an information service.

BILL MOYERS: So you changed--
MICHAEL COPPS: But--

BILL MOYERS: Telecommunications to information service. What difference does that make?

MICHAEL COPPS: Because we robbed it of all of the responsibilities and protections that we had spent 20 or 30 years putting onto the telecommunications companies so we could protect consumers. Have some say in rates and how things were built and how things were shared and how we got them out. Protecting privacy. Making sure that that telecommunications system really worked for the future of the country. Now, put it over here, it's, well, we can still do what we need to do by some ambiguous authority. And the courts said, "No, you can't." So--

BILL MOYERS: So you you're proposing, as I understand it, to move it back. To redefine it again as the telecommunications.

MICHAEL COPPS: Yeah. Let's call it what it is. I don't think we have telephone companies and cable companies and all this. We have broadband companies. And they're all in there competing with one another. They're all looking for control of the distribution. Now they're looking for content. All the recipes for monopoly and duopoly that we have seen throughout our history.

This is this is the way we communicate. We ought to look at it as a big ecosystem. And all this cable, radio, television, the Internet is all part of this ecosystem. And you can't you can't have legitimate public interest oversight of that if you go in with some stovepipe analysis, well, this is Telecom, this is cable. It's all the same thing. And we're all so dependent upon it. So we have to find a way to conduct that public oversight in a holistic, in a systematic, and in an intelligent fashion.

BILL MOYERS: So--

MICHAEL COPPS: And I think we can use the law we have right now if we reclassify to do that.

BILL MOYERS: The industry wrote a letter to the commission and said that advocates of an open Net who are coming to the FCC and asking you to reclassify what you do as telecommunications want to steer the debate, and I'm quoting from the letter, "in a radical new way." I mean, they're calling you extremists and they're calling you radical.

MICHAEL COPPS: Because I want to call telecommunications, "telecommunications" and go back to the openness that has characterized the net since it was first invented in the laboratories of the Department of Defense. That's not extreme. That's not radical. That's called going back to basics. That's called consumer protection 101.

BILL MOYERS: How threatened is the whole idea of an open Net?

MICHAEL COPPS: Oh, I think very. I think very. I think there are powerful players that are opposed to it. Are in a position to make their influence felt. None of these things are going to come easy. We've just been through the health insurance debate. We've got the financial debacle. None of this stuff gets solved without taking on a fight. The government doesn't work that way. You've studied this history, I've studied this history. It's painful, it needs movements, it needs grassroots support, it needs the people.

BILL MOYERS: And you're saying there's a very strong populist element here?

MICHAEL COPPS: I think so.

BILL MOYERS: Populist interest being meaning the people versus interests?

MICHAEL COPPS: Well, yes, I do. I think people are more interested in this. You know, we went through this media ownership debate several years ago. And I think the powers that be at the Federal Communications Commission at that time said, "Oh, we can get rid of all of these ownership restrictions. We don't care how many broadcast outlets one company can hold. And nobody cares around the country. I mean, this is just too arcane, it's too sophisticated. We'll just do this inside the beltway." I said, "Let's go out and have some hearings". 'Oh, no, you don't want to have hearings. We'll just we'll just take care of this here.' But, by the time we were through, three million people had contacted the FCC and congress to voice their displeasure. And we did have hearings at my insistence around the country where we would go for seven, eight, nine hours at night in town hall meetings with people talking about, "Something's wrong in my media system. I'm not getting the news..."
anymore." Or, "I'm a minority. None of my news ever gets covered." Or, "When I'm on TV I'm there as a caricature of or a stereotype of something I'm not." People get it. People understand.

BILL MOYERS: As you know, we covered some for those hearings that you--

MICHAEL COPPS: I know.

BILL MOYERS: Called for around the country. And I still can see in my mind's eye, and I can also go to the video, and look at faces of ordinary people standing up and said, "We care about media ownership."

SUSAN MCCABE: We told you a year ago, when you came to Seattle, that media consolidation is a patently bad idea, no ifs ands or buts about it. So with all due respect, I ask you: What part of that didn't you understand?

KING COUNTY COUNCILMEMBER REAGAN DUNN (R): I'm a Republican and I'm a capitalist, but some areas of our private sector must be regulated. Freedom of information is too important. We must be proactive in protecting that fundamental freedom.

CHICAGO PUBLIC HEARING PARTICIPANT: If the FCC is here wanting to know if Chicago's residents are being well served. The answer is no. If local talent is being covered? The answer is no. If community issues are being handled sensitively? The answer is no. If minority groups getting the coverage and input that they need? The answer is no, the answer is no.

DOROTHY LEVELL: If you look at the major broadcast outlets in Chicago, there is not one single political talk show hosted by an African American.

BILL MOYERS: And that was a real revelation to me of the democratic thrust in our society.

MICHAEL COPPS: Right. Now fast forward to this, we're talking about the open Internet, and the future of broadband, which is just as important to them. And perhaps all of that media one day is going to migrate over to the Internet. And they have a vested public interest in making sure that those things are protected on the Internet. And this is this is a tough question for America right now. Here you've got this dynamic technology that thrives on openness that thrives on innovation and all of that. And you don't want to regulate, or artificially limit it. But, at the end of the day, if that's where everything is moving, is that where our national dialogue, our civic dialogue is moving, if that's how we're going to educate ourselves and all, there is a public interest component to that. How do you make that happen in a global environment? The Internet is international. It runs so much differently. But still, at the end of the day, I think you have to come to that conclusion that we have a public interest in how this is used to inform and serve the American people.

BILL MOYERS: The industry responds, and they did say in the letter of February 22nd, to the commission, regulating the Internet, as these parties propose, these radical and extremist parties, these Bolsheviks like Michael Copps, regulating the Internet, as these parties propose would be a profound mistake with harmful and lasting consequences for consumers and our economy.

MICHAEL COPPS: I don't think we're talking about regulating the Internet. I'm talking about keeping the dynamism of the Internet that's there. I'm talking about keeping it open. We've had the generally speaking, with a few exceptions openness on the on the Internet.

So we want to preserve that. What we're trying to be careful of is that the gatekeepers and the tollbooth operators aren't just regulating the Internet for their self interest, or for competitive advantage. And I'm not saying they shouldn't compete, or anything like that. Obviously, they're businesses and all. But, at the end of the day, again, we need to know what's going on, on that network management, know how they're using this technology, and have that visionary public policy out there that says, 'We understand how important this is to the future of this country. And there are some responsibilities that go with the great power that you, as companies, have been given.'

BILL MOYERS: How powerful is this industry you're up against?

MICHAEL COPPS: I think it's a very powerful industry. An industry that increasingly has control over how we converse with one another, other than sitting across the table and talking, how we converse with each other, on the media, through journalism and all of that. That's maybe the most important industry in the country
or in the world. You know, if your big issue is energy dependence, or climate change, or health insurance, or expanding equal opportunity, this issue of the future of the media, now the media on broadband, has to be your number two issue. Because, on that one, depends on how that big issue that you number one issue gets filtered and funneled to the American people.

BILL MOYERS: But practical question. When I drive into New York City from New Jersey or Long Island, whether I come Highway 80, 78, 46, three what all these highways from the west, converge into the Hudson River. And we have to come under a tunnel to get into New York City. So the traffic has to jockey and reciprocate and come from many tributaries down to a single stream moving through under the it under the river in that tunnel. I mean, there are tollbooths there in order to regulate direct the traffic. If the Internet doesn't have some means of traffic control aren't we all going to have a big jam up?

MICHAEL COPPS: Maybe we need more tunnels. Maybe we need these companies, instead of figuring out how the is this going to make a buck off the current infrastructure we have, maybe we need more of that broadband infrastructure. And certainly that should be clear now. You can't get high speed broadband in many places in this country. In some places you can get it, but it’s too expensive. We’ve got one third of the nation right now that is not connected to broadband. You know, back in the New Deal, Franklin Roosevelt said, "I see one third of a nation ill housed, ill clad and ill nourished." And now we have one third of the nation that’s not connected to this. And I think in the long run that’s how we’re going to increasingly educate our kids and care for our health and solve all of these other problems, whether it’s energy, environment, civic engagement and journalism, that you talked about. All of this hinges mightily, hinges dramatically on how we get that broadband out to people.

Do we get it to every corner of the land? Do we get it to the inner city? To the rural countryside? To the minorities? To the disabled? To Native American country? Are all of those people going to be equal participant?

BILL MOYERS: Is that why we’re behind so many other industrial countries in

MICHAEL COPPS: We’re behind because we never had a strategy. We just sat by blithely watching and saying, "Oh, the invisible hand." And the God given glories of the marketplace are going to take care of all of this stuff. And we found ourselves in 15th, or 20th, or 24th place, wherever it is, in terms of broadband penetration.

So fast forward, finally, we’ve got a government in 2008 who understood the importance of this. Who understood that it’s as American as apple pie to have public and private sector partnerships to build broadband. Who understood that the private sector, which is the locomotive and the engine of our economy, does best when it’s guided by visionary public policy. We always did that. That’s how we built that’s how we built this country. Go you go back to the very beginning, you know when the settlers trekked across the mountains, the challenge the infrastructure challenge of that area was how do they get their products to market? So we built turnpikes and canals and bridges and roads. Later on, in the early part of the next century, regional railroads and transcontinental railroads. And it wasn’t 100 unanimity to do this. But, by and large, we figured out a way to get it done, even as late as the highway system under--

BILL MOYERS: The 1950s, the Eisenhower--

MICHAEL COPPS: Or telecommunications or electricity. But, all of a sudden, fast forward to the 1980s, oh, we don’t need that was the un-American part. We don’t need to use our government to help the American people. And we strayed from our path and that's how we got to 15 or 20.

BILL MOYERS: Do you realize that, when you talk this way, you talk about the public interest sphere, you talk about democracy, you talk about any kind of effort to curtail the power of the market, Glenn Beck's going to call you a communist, a socialist, or worse? You realize that don't you?

MICHAEL COPPS: I guess so.

BILL MOYERS: Tell us your what how do you deal with it? Seriously, how do you deal with those kind of charges when they keep hurling at you 24/7?

MICHAEL COPPS: I think you stop playing defense and start playing offense and talk about what you really believe and try to talk sense to the American people. But it goes beyond that because we have to have an institution of journalism in this country that gets real facts and information out to people. We've always had the
chatterers. We've always had precursors of you know, raging cable, or talkative radio. And we always value opinion. Everybody’s entitled to their opinion. Everybody’s not entitled to their own set of facts. And what this country needs right now is a kind of resource hungry expensive journalism that is fast disappearing to provide those kind of facts. And that gets us to the new media that we were talking about, and the old media too. Newspapers and broadcast still produce 85 or 90 percent of the news and information that the American people get, even the news that they see on the Internet.

And it's not just talking about what's going to happen ten years from now on the Internet, although that's an important question. How are we going to have viable journalism there? How do we get from here to there? Because I don't think we can take another five or ten years of the kind of diminution of journalism closing of newsrooms, the near demise of investigative reporting. We can't we can't tolerate that and expect that we're going to have the American people sufficiently informed to do what they need to do.

BILL MOYERS: But, you know, since 2001 American newsrooms have lost more than 25 percent of their full time staffers. Newspapers are struggling. Look at this, you know just recently, the Pew Research Center's Project for Excellence in Journalism released a survey of newspaper and broadcast editors, dinosaurs like me.

Fewer than half said they're confident their operations will survive another ten years. And just about a third of them said they'd only last five years or less. Now, one of the reasons for the demise of my craft in print and broadcasting is the growing influence of the Internet, right?

MICHAEL COPPS: Partially right. Yes. I don't think completely right. I think we can say Internet and the economy have been the downfall. But I think, equally, or more so, what has been destructive of journalism is just the experience we have been through with this tsunami of industry consolidation that we've had.

And, we could see this coming. With fewer and fewer companies gobbling up all of these outlets and playing by the rules of this hyper speculation. I think newspapers are going to survive. And I think broadcast is going to come back. What I'm not convinced of is that newspapers in their new survival mode are going to be able to unaided, support the kind of in-depth journalism that we need to have. And get those reporters back. I think they can get by with that slimmed down newsroom, or the closed down newsroom. That doesn't that doesn't help the country very much, though. So, I think, at some point, we have to get off the defensive and start talking about public support for public media.

BILL MOYERS: What do you mean?

MICHAEL COPPS: I mean that, in the United States of America, we spend $1.35 per capita per annum supporting public media. In other countries

BILL MOYERS: You mean public broadcasting, public radio


BILL MOYERS: Community access.

MICHAEL COPPS: Right. Lots of other countries are spending 50, 75, 100 dollars or more. And you kind of get what you pay for. And they're supporting that, and it's not interfering with the democracy of those nations in Denmark or Finland or Great Britain or places like that. You know, we have 27 states now, 27 states that do not have an accredited reporter on Capitol Hill.

How do you hold the powerful accountable if over half the states aren't even covering what that office holder is doing? I see it as the FCC. I mean far fewer reporters on the beat talking questioning what I do. Or what my colleagues do. We're at a point where we have got to take action on these things. You know, it's the old. I'm a great believer in the idea of reform cycles in American history. I think you have

BILL MOYERS: You're an old historian, right?

MICHAEL COPPS: I am-- well, I'm with emphasis on the old. Yeah.

BILL MOYERS: All right. Yeah. All right.

MICHAEL COPPS: And I think you know, these the cycles of reform come around all
too infrequently. "There is a tide in the affairs of man/Which, taken at the flood,
leads on to fortune;/Omitted, into all the voyage of our life/Is bound in shallows and
in miseries," as Shakespear said. To rob that of its poetry, and put it in a text
message, I think it says, ride the tide.

And I want to ride the tide. I think you have that opportunity of reform that opened
in this country a couple years ago. But these windows don't stay open forever. We
don't know how widely they open. And we have an opportunity now to do some of
these things. And if we can't solve the complete problem, make some down
payments while we consider the larger comprehensive problems. I don't think any of
these problems are going to be resolved until the American people really get fired up
about them. And that's happened before, and what we have to show them now is
that there are folks who want to tackle these problems who've got some ideas for
tackling them. And now we've got to send a message to all of our elected
representatives and everybody else that we're expecting some action. The future is
now.

BILL MOYERS: The future is now?

MICHAEL COPPS: Yep.

BILL MOYERS: If you can get access to it.

MICHAEL COPPS: That's the question, isn't it?

BILL MOYERS: Commissioner Copps, thank you very much for being with me on the
JOURNAL.

MICHAEL COPPS: Thank you for having me on.

MALE VOICE #1: The miracle of high speed, wire communication is commonplace
today. Lift a telephone receiver and the world is at your fingertips.

MALE VOICE #2: Radio's greatest application is in broadcasting mass
entertainment.

MALE VOICE #3: Television is most certainly here to stay. It's going to brighten the
world of your home.

MALE VOICE #4: Broadband is really the high-speed connection that takes us onto
the highways and byways with the 21st Century.

BILL MOYERS: Finally, last Saturday a viewer stopped me in our local supermarket
with a question. She had seen several editions of the Journal dealing with how big
money constantly undermines the public interest, and she wanted to know, "How do
you keep reporting what's happening in Washington without totally losing heart?"

I'll try to answer that more fully next week, on the final edition of the JOURNAL. For
now I'll just say that I owe what sanity that remains - what hope I have - to acts of
the imagination inspired by others. Think about what we learned from Vaclav Havel
and Lech Walesa - when few believed nations in the soviet orbit could free
themselves from its heavy gravitational pull, they imagined a different
Czechoslovakia, a different Poland.

Think of Nelson Mandela and Desmond Tutu - when even our own American
government was supporting apartheid in South Africa, they imagined something
different.

Abraham Lincoln imagined the end of slavery and the preservation of the union.
Theodore Roosevelt imagined victory over the money trusts; his cousin Franklin
imagined a new deal for people like my father.

The philosopher and critic Theodor Adorno, after his own escape from Hitler's
Germany, wrote about this power of imagination. In the face of despair, he said, you
must try to "Contemplate all things as they would present themselves from the
standpoint of redemption."

This is not romanticism. It's not even idealism. It's our power to imagine alternatives
- and to wake up every morning day to try to do something to bring them about.

This is one reason we have asked every guest on the Journal to pause before they
leave and share with us their vision of the future of the American Dream. Here are
just a few of their voices. Take heart.
ELLEN SPIRO: My American Dream is about freedom from fear. It’s about possibility and hope.

MICHELLE ALEXANDER: My vision is for an America that is not colorblind, but rather an America that cares deeply for people of all colors.

THOMAS FRANK: I want democracy. This country is about equality. And it’s about everybody having a voice.

KATHLEEN HALL JAMIESON: The notion that a rising tide lifts all boats presupposes that you have a boat. In my American dream, everybody has a boat.

ROBERT KUTTNER: Unless we take care of people’s economic needs, we rob them of their private dreams.

BRYAN STEVENSON: I want the American Dream to embrace broken people; people who are suffering.

MARILYN YOUNG: I would like to see a country which feels safe inside itself, in part because it deals justly outside its borders.

DR. JIM YONG KIM: We can settle for no less than America being the force of good in the world.

LEYMAH GBOWEE: My understanding of the American dream is that this is a country where people have rights to equal opportunity, freedom and justice for all.

MICHAEL ZWEIG: I think the American Dream is going to have to be based and fulfilled through collective action and it’s going to be one hell of a fight.

BILL MOYERS: Those voices and all the others -- will remain on our site at pbs.org when the journal comes to a close after next week’s broadcast... give us your vision of the American Dream and be sure to sign up at our website so we can remain connected even after the JOURNAL has left the air.

I’m Bill Moyers and I’ll see you next time.