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BILL MOYERS: Welcome to the JOURNAL. There was justification for those high-fives and victory signs at the White House this week. Passage of the health care reform bill was a big political win for a president and party, who, with midterm elections eight months away, desperately needed a few points on the scoreboard.

But the road to success is littered with casualties, most of them Obama's progressive allies. Among them, the women who worked so hard for his election. After all the White House hoopla was over and the lights and cameras were gone, the president quietly signed an executive order continuing a ban on federal funding for abortions, part of the deal he made with pro-life Democrats to get their votes. Terry O'Neill, president of the National Organization for Women, NOW, was outraged. She said "feminist, progressive principles are in direct conflict with many of the compromises built into and tacked onto this legislation."

Terry O'Neill is with me now. An attorney, law professor and social justice activist, she became president of NOW last June.

Joining us is John Nichols, author, political journalist and Washington correspondent of The Nation magazine. He wrote this article on The Nation's blog headlined, "Now That Obama's Signed It, Let's Reform the Reform."

Both of them are progressives who prescribed a much stronger dose of health care reform than we got. So my question to them is, "Where do we go from here?" John, Terry, welcome to the Journal...

TERRY O'NEILL: Thank you.

BILL MOYERS: This is the most sweeping piece of legislation passed since Medicare in 1965. What do you think of it?

TERRY O'NEILL: Well, I-- that's exactly right. It is the first time in this country's history that we have had comprehensive health care legislation. And it is painful to me that women's health has been singled out. The first time that we do this as a country, we single out women to be deprived of ordinary health care that they need. And I'm talking about the sweeping anti-abortion provision there.

Forty percent of women have had or will have an abortion in their lifetime. It is a common medical procedure. It needs to be safe. It needs to be fully and equally accessible to all women. And what has been enshrined in this law is not so much the principle about whether federal dollars go to pay for abortion, what is really enshrined in this law is that ideology can trump health care needs of an entire class of people in this country.

BILL MOYERS: That, of course, is what you don't like about the bill.

TERRY O'NEILL: Right.

BILL MOYERS: But is there-- are there some things in it that you admire? Or that you're glad we have now?
TERRY O'NEILL: Sure. We like the preventive measures. Senator Barbara Mikulski put in strengthening language that requires insurance companies to cover mammograms and pap tests and other types of screening. And that's great. We like the community-based health care centers. We like funding, more funding for low-income, uninsured and under-insured people.

BILL MOYERS: What do you like about it?

JOHN NICHOLS: There's things I love in this bill. Senator Bernie Sanders from Vermont, strong supporter of single payer Medicare for All, put in some incredible measures that extend and protect public health clinics, make them stronger, allow for a lot more funding to go there. These are going to be our first line in a whole bunch of public health. They're great.

Senator Sanders also put in a provision that in an incredible fight that will eventually allow states to experiment with something closer to a Medicare for All single payer type model. Unfortunately, you can't do it for the better part of ten years. So, there's a lot of good elements in this bill. That's not the problem. This is a bill that is at odds with itself.

We say this is a bill that promises health care for all. And yet, there are tens of millions of Americans who will not get health care as a result of this bill. They acknowledge leaving the better part of 12 to 16 million Americans out. We say this is a bill that is at odds with itself.

BILL MOYERS: What do you like about it?

JOHN NICHOLS: Under penalty. We say this is a bill that recognizes science and reality, public health concerns. And yet, as my colleague here points out, we leave over half the population out in a basic health care requirement, a basic health care need. And we also deny public health. Because this bill discriminates against immigrants who live in this country but have not yet achieved citizenship.

BILL MOYERS: David Leonhardt in "The New York Times" says this is “the federal government’s biggest attack on economic inequality” in over 30 years. That should please both of you as progressives, right?

TERRY O'NEILL: Yes. Yes, it does. And I think what's best about this law, really, is the concept of it. The actual provisions of it are not good. But the concept that in fact the federal government has the largest role to play.

So that's a big deal. And there are parts of the law that really do go to providing more and better care for people who have not had access. Uninsured and under-insured. I disagree in a sense that there are provisions of the law that sock people, particularly women, who can least afford it. So, for example, the age rating, right? The insurance companies are permitted specifically under the law to charge three times the premiums to older people.

They haven't said what age, but presumably it'd be something like from 40 to 64. And at 65, you go on Medicare. But from 40 to 64, your premium could be triple that of a younger adult. Who does this hit? It hits middle-aged women, whose entire careers have been affected by systematic wage discrimination.

BILL MOYERS: Why do you think President Obama decided so early last year, before all of this actually began to leave the for-profit insurance industry alone.

JOHN NICHOLS: I think he didn't want to fight that fight. Because that is the great struggle. And I don't mean to say I'm prescient or anything like that. But I was there at the inaugural, and I listened to that inaugural address, which I thought, frankly thought was a pretty weak address. The address he should have given at the start was, you know, this country has been in chains. This country has been prevented from making real progress for generations, because of immense corporate power driven into our politics through our elections and through lobbying. And it is my intention to break those chains, and the place that I will begin to break them is in the health care fight.

If he had done that, if he had said from the start, we would have had a very different health care debate. It would have been a better health care debate. He would have been accused of being a socialist. He would have been accused of, you know, trying to have a government takeover, all these things. Well, it all happened anyway. And so, bottom line is he miscalculated.

BILL MOYERS: What if you're both wrong about Obama being a progressive? I
mean, the--

JOHN NICHOLS: I'm not sure he is.

BILL MOYERS: -the liberal economist and former Clinton Secretary of Labor, Robert Reich wrote this week that "Obama's health care bill is a very conservative piece of legislation building on a Republican rather than a New Deal foundation." And he's referring to Republican Presidents Nixon and Eisenhower who advocated a market for health care based on private insurers and employers. And that's what Obama is doing.

JOHN NICHOLS: President Obama abandoned the logical progressive responses to a health care crisis at the start. It was never the public option. The public option itself was a compromise. The fact of the matter is Congressman Pete Stark laid out a long time ago--

BILL MOYERS: California Democrat.

JOHN NICHOLS: Great California Democrat. Who everybody picks on for being a little too tough. Well, he said it very bluntly a long time ago. We've got a great single payer program in America. It's called Medicare. We should open it up to everybody and have a Medicare for All program. If the President had said that from the start, you wouldn't have had anybody at the town meetings saying, "I'm against health care reform, because it might take away my Medicare."

BILL MOYERS: But since the President has left the for-profit motive intact, haven't we locked in the impossibility of moving toward a single payer universal health care. Given the new power that has been invested in the for-profit industry.

TERRY O'NEILL: Sure. 32 million new customers for the insurance industry required to be customers of the for-profit insurance industry with very few actual cost controls, because there's no public option. Because you can't buy into Medicare if you want it. Okay? We have a Supreme Court that has just overturned 100 years of regulation of federal election laws. And you have this empowered corporate insurance industry sort of unchained by the Supreme Court. And it really is going to be an uphill battle.

BILL MOYERS: So, sum up for me, Terry, as succinctly as you can, the impact of this legislation as you see it on women.

TERRY O'NEILL: All right. We've been told over and over again that gender rating is gone, but it's not. Employers with more than 100 employees who buy into a plan on an exchange, the insurance companies will be permitted to charge higher premiums up to, up to 50 percent higher for women than for men, just because they're women. Age rating. We talked about that before. The triple premiums being paid by older people has a disproportionate impact on women. So these are the issues that we see that are problematic.

BILL MOYERS: What did you think when you heard about the President's eleventh hour decision to sign the executive order? It was quite a private affair, as you know. The White House released only one photo of the actual signing. It's only two pages long this executive order. But some people are suggesting that it may be the most important signature Obama will put on a bill this year, because it assured passage of health care legislation by gaining a handful of critical pro-life Democrats. What did you think when you heard about that?

TERRY O'NEILL: Well, we put out a statement that said we were incensed. And I stand by that statement. Look--

BILL MOYERS: Have you read the executive order?

TERRY O'NEILL: I did. I read the executive order. And it does two things. First of all, it says that it's necessary to enforce the principle that tax dollars should not be used to pay for abortion. Number one, it suggests-- this language suggests that the Hyde Amendment is settled law. I've been hearing that during the entire health care debate. It's not so. The Hyde Amendment is not settled law. Not until we put it into this law. As originally passed, the Amendment simply said that Medicaid dollars could not be used to fund abortions for low income women.

The Hyde Amendment was passed in 1976. It was an illegitimate tack-on to a must-pass appropriations measure. Every single year since then it has been tacked on to an appropriations measure. And it changes every single year because of that. Some years it's more onerous to low income women. Some years it's less onerous to low income women.
What this law says goes way beyond Hyde, because it says we are enshrining a principle that no federal tax dollars, no subsidies, not direct, not indirect, no funding whatsoever for women’s abortions.

This law requires anyone who buys into a plan that happens to cover abortion care would have to write two checks. One check for the abortion care part, and one check for everything else. Okay? It’s bizarre. And it does nothing to actually segregate funds. All it does is segregate this particular health care service.

BILL MOYERS: But there are some contrary opinions to that. Michael Shear writing in the "The Washington Post" says it does little more than restate the existing ban on public financing of abortion. The old Hyde Amendment. And the White House-- remember, the White House Press Secretary says, we reiterated the status quo. And we're comfortable reiterating that status quo now.

JOHN NICHOLS: With all due respect, it's the job of the White House Press Secretary to say that.

BILL MOYERS: Tell me about it.

JOHN NICHOLS: Right? And I have great respect for Mr. Shear. I assume he's read the executive order as my friend here has.

BILL MOYERS: He counted the words.

JOHN NICHOLS: I'm going to disagree with him. But it reinforced the notion that getting to this basic principle, we're going to go through a smorgasbord. Right? We can walk down the smorgasbord and we say, "Well, yes, of course, it's moral and decent to make sure that every American has health care. But I'm not going to take the plate that's for women. Or I'm not going to take the one for immigrants. I'm not going to take the one for public health. I'm not going to--" This is the wrong way to frame a discussion.

Those who are opposed-- my conservative friends who are opposed to health care reform, who don't believe it's a right. They should absolutely say, "I'm opposed to it. I don't like government. I don't think government should do this." But people who actually believe in health care reform ought not be reinforcing the smorgasbord notion of reform.

BILL MOYERS: What do low income women do now if they want an abortion?

TERRY O'NEILL: All right. They have a number of options. They can go to their friends and try to scrape together enough money to have the abortion. This is dangerous for their health, because the longer they wait, the more complicated the abortion might become. That's number one. Number two, they-- some states, in 17 states, there is public assistance for women to have abortions, notwithstanding the ban on Medicaid funding. Some states do provide funding for it.

And number three, there are private funds. There's a National Network of Abortion Funds that helps women get funding for abortions. And what do other women do? They self-induce. They go to Mexico to find abortion care that's affordable. Or they continue a pregnancy that is bad for them, that's bad for their family and that is bad for their economic status.

BILL MOYERS: I hear both of you, but I hear you against the sound of the political world in my ears, as well. And, you know, one long time Washington insider, William Galston of the Brookings Institution, you probably know him, says "The executive order found a sweet spot ... Something that didn't seem to send the base of the party into a tizzy, but seems to have satisfied a very important minority within the party." Galston says, "It was the model of win-win pragmatism."

JOHN NICHOLS: Yeah. Win-win pragmatism is the-- what we always look for when we say we're going to do something wrong, right?

And I think the thing to understand here is that, the core of your question's about politics. How do we do politics in this country. And it's absolutely true that in the final stages of the House vote on this bill, Nancy Pelosi, who's proven to be a pretty effective Speaker, had to find about a dozen votes. And she found them in the community of anti-choice, or pro-life, Democrats. Bart Stupak, Marcy Kaptur, and others. And, many of these people who are very liberal. This, you know, it's an interesting fact. Bart Stupak voted against going to war in Iraq. He's voted against a lot of these terrible free trade agreements. He's not the worst guy in the world. He just really opposes abortion.

These compromises are always made. And the most important thing is that we're
here today screaming and yelling about it. And I’ll tell you why. Every bit of social progress in this country has come in what’s best referred to as “reform moment.” A moment when the country is ready to do something on slavery, on child labor, on the horrible construction of our economy during the Great Depression era, on civil rights. There’s always a reform moment.

BILL MOYERS: Social security.

JOHN NICHOLS: Social security.

BILL MOYERS: There was a huge fight. Huge, ugly fight.

JOHN NICHOLS: Absolutely. And so, there’s always going to be a reactionary force that says, “Don’t do anything.” And then there’s going to be a sort of a moderate force that says, “Well, the country’s ready to make some change, let’s do it.” The essential element, I will argue, and I don’t think it’s so self-focused or self-absorbed, is that it’s always the progressives, the people who say, “This is not going far enough,” who ultimately build on the construct and make it into something worthy of the American experiment.

The objections that we raise to this health care bill, the demands that we make that it be improved, that we in fact reform the reform. That’s what’s going to give us a health care system that is humane, that is decent, that is worthy of the United States.

BILL MOYERS: Yeah, but how?

TERRY O’NEILL: Well, one thing that I think that we learned, the women’s movement learned through this process is that compromise in the current political, I guess, environment in Washington looks a lot different from what it might have many years ago. So, for example, when Lois Capps put her amendment into the, I think it was the House Commerce Committee’s version of health care. She put in an amendment that was intended to take abortion off the table. So, she said, “Let’s codify Hyde. We’ll just codify Hyde. Get it off the table.”

BILL MOYERS: Meaning we’ll just--

TERRY O’NEILL: “And move on.”

BILL MOYERS: We’ll just accept it.

TERRY O’NEILL: Yes, yes. Pro-choice. A wonderful pro-choice legislator from California.

JOHN NICHOLS: And she was looking. She was looking for what might classically be described as a compromise.

TERRY O’NEILL: As an actual compromise. And immediately the anti-choice forces on the Republicans party, and Bart Stupak, began saying, so the Hyde Amendment is the pro-choice position. Alright. So, what we’ve learned from that is that in fact we never ever let that happen again. And the certainly my organization is prepared to go to the mat on these issues and not say-- look, these are our friends, you know?

BILL MOYERS: You supported the President. You campaigned for the President. He was a friend of the women’s movement. Do you feel betrayed?

JOHN NICHOLS: Women went door to door for him in Maryland, yeah.

TERRY O’NEILL: Prince William County, Virginia. I went to the exurbs where I thought that he might-- we didn’t know that he could take Prince William County. I went door to door for him with my “Hillary sent me” button. You know? Absolutely.

BILL MOYERS: Do you feel betrayed?

TERRY O’NEILL: I, you know, of course, the women’s movement has clearly been betrayed by this by this process. The executive order. It was a wrong thing for him to do. I understand the politics of it.

BILL MOYERS: The pro-caucus--

TERRY O’NEILL: The pro-choice caucus--

BILL MOYERS: The pro-choice caucus in the House supported the executive order.

TERRY O’NEILL: I know. I know. And the reason they did was that they compromised. What the alternative at the time, in that weekend, the alternative was
going full boor for the Stupak/Pitts language going into the bill. That was the tradeoff. I got a call on Friday evening at 7:30 because what's happening is Bart Stupak is leading the charge to, at midnight, slip in this extremely, even worse anti-abortion language than what we ended up with. And, so, we worked for the next 48 hours, furiously trying to stop that from happening. And we did. And the pro-choice caucus in Congress said, "Okay, that's as much as we can do. And now, you know, we're going to go forward." That's their job. You know, you legislators have to make compromises. The National Organization for Women, we're not elected officials. And we don't. And we won't.

JOHN NICHOLS: And, can I just offer, there were a lot of compromises at the end. We're talking a lot about abortion. And it's vital to do so. But we should also understand that Congressman Dennis Kucinich, who suggested that he would vote no because this bill was an incredible bailout to insurance companies. And he detailed his criticisms-- everything that we've said.

TERRY O'NEILL: Exactly.

JOHN NICHOLS: He detailed before. And at the end of the day, he chose to vote for the bill, and I think in much the same way that the pro-choice caucus did. There were many people who were there in the thick of it over the weekend. And yes, it does become, at least in that moment, a "which side are you on" choice. Are we going to be with the folks who really want to kill this whole thing? Or are we going to fight this fight today? And then turn around and ask, "What are we going to do tomorrow?" And again, that's what I keep coming back to

BILL MOYERS: What do people want to do, borrowing your term, what do people do who want to reform the reform? Are you going to call the President? Say, "Well, Mr. President I-- you let me down this time..." Are you going to say, "You owe me now." Because we women have mad a sacrifice for your political win?

TERRY O'NEILL: The President clearly owes the women's movement. Clearly. I've got a whole list of things. I've got-- I want him to take-- what I'm looking for is leadership for women's rights. I want him to take leadership on finally ratifying the United Nations version of the ERA. The Convention on the Elimination of Discrimination Against Women.

BILL MOYERS: The Equal Rights Amendment, right.

TERRY O'NEILL: The Equal Rights Amendment. I want him to take leadership on that. I want him to take leadership on doubling the funding for the Violence Against Women Act. Because even at double, it's not going to serve all the needs. But we need to double it now. What my organization is doing immediately is we are seriously ramping up our efforts to repeal the Hyde Amendment. Why? Because Hyde is the basis for this language that actually got into the law that eventually, according to the George Washington University School of Public Health, this law, if it's not changed, over a period of years, insurance companies, all insurance companies in all plans will eventually conclude that it is too much trouble to offer abortion coverage at all. Eighty-seven percent of private insurance policies today cover abortion care. That goes away if we don't make changes in this law.

JOHN NICHOLS: And that's a big fight.

BILL MOYERS: Karl Rove wrote this week that Republicans are going to reform the reform. They're going to push to repeal it. And they're going to make it an issue in the November elections. Are you, when you call for reforming the reform, helping the Republicans in their campaign?

JOHN NICHOLS: Not in the least. Look, the fact of the matter is, that's their job, if you will. And I don't think this is just Republicans. The fact of the matter is polling shows an awful lot of Republicans think that this, a lot of this reform is very, very good. Already there are divisions within the Republican caucus about whether they're for full repeal or just changing some of the things. And that's really whether we're at.

The fact is, this bill is never going to be repealed. It's not going to be thrown out. We've opened up a great debate in this country. There will be conservatives, even reactionaries who say that the bill must be weakened-- must be changed. They will offer their solutions. The only mistake that progressives would make would be to think that it is the job of progressives to defend this bill as is.

If there are pulls from the left and the right, then the compromises, if you will, will be in a good direction. If there are not pulls from the left, if the left simply becomes an 'Amen corner' for the bill that was passed, it will get steadily worse, because all the noise will come from the right.
BILL MOYERS: So, what do you want progressives to do tomorrow morning?

JOHN NICHOLS: I've seen a rise in energy. I think people do believe that we might actually be in a reform moment.

And it may not be anything we want, but that's good. If we're there, then we can start to define things. I'm excited about a lot of stuff that's happening. I'm in no ways tired. I look at Congressman Alan Grayson from Florida, who has proposed a Buy Into Medicare Act. And he just says, "You know, let's just say that if instead of forcing people to buy health care from a private insurance company, you can also buy in, at cost, no matter what your age, to Medicare."

BILL MOYERS: Let's hear a little of that.

REP. ALAN GRAYSON: This simple bill would allow anybody, any American, any permanent resident, to buy into Medicare at cost. And what it does is it takes this enormously valuable public resource called the Medicare Provider Network and makes it available to all Americans. We've spent billions putting together a Medicare Provider Network that stretches from Nome, Alaska, all the way to Key West, Florida. We've spent billions doing that, and yet only one-eighth of the population can use it [...] I say to those people on the other side of the aisle, if you don't want to buy into the public option, that's fine. But don't prevent me and my family and the ones who I love from doing the same.

BILL MOYERS: Does that proposal have any chance?

JOHN NICHOLS: You know, this is the interesting thing. Alan Grayson proposed it, and it's four pages long. And I know Congressman Grayson. He put it together pretty quickly.

BILL MOYERS: Democrat from Florida.

JOHN NICHOLS: Democrat from Florida. Real rabble rouser. To his surprise, he's already got 80 cosponsors. He put a petition up saying, "You know, let's petition Congress on this." They were getting people to sign on at a rate of one every six seconds across the country.

The fact of the matter is Barack Obama is a cautious President. It is time to go out and make him do the things that need to be done. And that's an organizing task.

BILL MOYERS: Understood. But some of those allies of Obama feel very disconsolate now. Because he keeps asking his most devoted constituents, women, gays, unions, African Americans to swallow a few toads, while he battles on behalf of a broader agenda. How long can you wait? How long can you wait?

TERRY O'NEILL: We already waited as long as we can wait. We are, as the grassroots arm of the women's movement, we are dedicated to going to the grassroots and demanding the change that we really need. Everybody is telling me, "Oh my goodness, Hyde is settled law. You can't do anything about it." Fine, that's what you say inside the beltway. You know, the National-- we're not based inside the beltway. We are based out all across the country. That's where we are.

And that's where people-- I can't tell you how many women I know would like to buy into Medicare today. And I'm one of them. If I could I'd buy Medicare. It's a great program. My mom was very well-served. So was my dad by that. So, yeah, we're taking it to the grassroots. And, you know, that's where President Obama got his great strength. And that is where we are going to get our great strength.

BILL MOYERS: Terry O'Neil and John Nichols, thank you very much for being with me on the Journal.

TERRY O'NEILL: Thank you.

PRES. BARACK OBAMA: This is a common sense bill. It doesn't do everything that everybody wants. But it moves us in the direction of universal health care coverage in this country, and that's why everybody here fought so hard for it.

BILL MOYERS: Two years ago this month the financial giant Bear Sterns collapsed and Wall Street began to unravel, wiping out millions of jobs, driving millions of people from their homes, and plundering once healthy pension plans. All this time later there is still no reform from Congress. A crippled little bill seems to be hobbling out of the wreckage but still faces an array of well-armed forces gunning for it.

And that's no surprise. In the two recent election cycles, members of the Senate Banking Committee received more than $39 million from Wall Street and the banks;
Members of the House Financial Services Committee raked in more than 21 million — so far. So just how serious do you think they’re going to be about true reform?

I’ve invited Gretchen Morgenson back to the Journal to tell me if she thinks there’s any chance for real change. She’s one of our premier financial journalists — an assistant editor at “The New York Times” who also writes the Market Watch column for the paper’s Sunday edition. Gretchen Morgenson won the Pulitzer Prize in 2002 for her, “trenchant and incisive” coverage of Wall Street. Welcome back to the Journal.

GRETCHEN MORGENSON: Thank you, Bill.

BILL MOYERS: There’s a lot of buzz in Washington that President Obama’s and the Democratic Party’s victory in health care reform has given new momentum to the possibility of financial reform. Do you think we’re any closer to real, serious reform?

GRETCHEN MORGENSON: Well, I think that there is this momentum this feeling that they will have the ability to push harder on it. You’re so right. It’s been this sort of orphan. It’s been treated as something that really doesn’t look like it’s on the front burner at all. And so from that standpoint, I’m glad if we do get momentum. At least to talk about it. But I think that the bills that we have seen have been so half-baked and really do not address some of the crucial elements of reform that are needed if we want to prevent this kind of crisis from happening again.

BILL MOYERS: Do you think it could happen again? The very same thing?

GRETCHEN MORGENSON: Definitely. Absolutely. And will happen again.

GRETCHEN MORGENSON: For instance, the too big to fail problem, the too, the companies that grow to be so interconnected with the financial system and so politically powerful that they cannot be allowed to fail. Which we saw in the crisis with Citigroup, with American International Group, the big insurer and with Bear Stearns which of course was merged into JP Morgan to avoid that failure.

We saw these companies that had been allowed to grow into sizeable, into monsters. And take enormous risks all the while that then the taxpayer had to cover, had to backstop. We are nowhere closer to any kind of technique, strategy to prevent that kind of behemoth from growing again.

BILL MOYERS: What’s your explanation for the delay? Why has it taken so long?

GRETCHEN MORGENSON: I think you pointed to it earlier, the money. There is just enormous amounts of money being poured into lobbying in Washington on behalf of the financial services company. $150 million in 2009 went into lobbying from the commercial banks and the investment banks. Now, that doesn’t talk about real estate, that doesn’t talk about the insurance companies, it doesn’t talk about mutual funds. That’s just commercial banks and investment banks. $150 million spent lobbying. That is a powerful force. We know that Washington is crawling with lobbyists who are operating on behalf of these companies to make sure that reform does not seriously threaten their profitability.

BILL MOYERS: And but it, the lobbyists are doing, you know, they are the mules in our addicted political culture. They bring the drugs to the users. The users are members of Congress who are politicians. They, you can’t have a legal bribe unless there’s somebody willing to be bribed. How do you how do they get away with it?

GRETCHEN MORGENSON: Isn’t it amazing? And isn’t it amazing that these bankers have the temerity to come out of their holes, right, after driving the nation into the drink? I mean, I’m myself have been stunned watching the brazenness with which they are willing to operate now. Just, you know swaggering about town, throwing money at their problems, throwing money at legislators to make sure that they don’t have to face a formidable regulatory framework.

BILL MOYERS: What is the psychology of those fellows, who just make that presumption about what they can get away with?

GRETCHEN MORGENSON: I think a lot of it is this culture that we have in this country of idolizing people in positions of power; idolizing chief executive officers, who make enormous amounts of money, try to justify that. Really there’s very few people willing to speak truth to power in these kinds of situations. They are surrounded by yes people. They are kowtowed to like rock stars. It’s, I think it gets to your head. I think it takes a very unusual person to be able to step away from that and say, “I have to do the right thing, not just for me, but for all the stakeholders in America.”

Whether it’s the unemployed. Whether it’s the shareholders. Whether it’s, you know,
the consumer. There is a sense that it's no longer, that these people no longer think about the full array of people who, you know, they do have a duty to. They are thinking really only of themselves. And they've been, unfortunately, Bill, rewarded in this episode by being bailed out.

BILL MOYERS: Could their bailouts have been denied without their taking everybody down with them?

GRETCHEN MORGENSEN: This is what they argue. This is what the government officials who were overseeing all of these bailouts make that argument. That may, in fact, have been the case. But you see, it is a dysfunctional arrangement that rewards bad behavior, because you're allowing them to privatize their gains. They take the gains when their stock is rising, when their companies are profitable. And, but when they get into trouble, you socialize the losses. The taxpayer has to pay them. So, we have rewarded this kind of dysfunctional behavior. And so, why am I surprised that they swagger into Washington to make sure that nothing changes?

BILL MOYERS: So, what would it take, from your experience, what would it take, to prevent them from doing it again? What should a good reform look like?

GRETCHEN MORGENSEN: I think first of all, you have to ensure that companies cannot become too big and interconnected to fail. That has to be primary. Because that is what this entire episode has been about. You have to make it expensive for companies to grow in size and to be in a position to take on very large risks that threaten the entire financial system. You have to increase capital requirements. You have to increase the amount that a bank would pay it if it gets over and above a certain level, a certain size in assets or in some measure. You have to increase the cost of doing business for these entities if they grow too big.

BILL MOYERS: Any evidence that this legislation being discussed this week in Washington contains that kind of reform?

GRETCHEN MORGENSEN: Well, it doesn't really contain, my bone to pick, major bone to pick with it is that it does not address too big to fail before it happens. There is some language about how we would unwind these entities. How we would pre--- be better prepared. If they get too big, how we would be vigilant to watch for trouble on the horizon. But there isn't a lot of talk about, "Let's just not get in this position again. Let's just never let these banks, these institutions get to be at the position or point where they can threaten the entire financial system." It's more remedial than prevention. And that, I think, is a mistake.

BILL MOYERS: When you were here in 2007, three years ago, before the big crash, we talked about what Warren Buffett would ultimately call financial weapons of mass destruction. Credit default swaps, other complex derivatives. What's been done to disarm those threats?

GRETCHEN MORGENSEN: Nothing. Very little. As you know, credit default swaps were central to the failure of AIG, central to the now $180 billion taxpayer backstop of that insurance company. This was a company that essentially sold insurance policies to banks that if mortgages, mortgage securities failed, they would have to pay.

AIG received premiums from those banks, very small premiums. And were essentially betting that the mortgages would not fail. Well, that was the wrong bet to make, as we now know. And then the taxpayer had to step in and unwind all of those very complex transactions. You would think that after that incident, and who knows where we're going to end up with AIG, what the total bill will be for the taxpayer.

You would think that people might want to say, "Hey, wait a minute, let's make it, let's make sure that that doesn't happen again. That these credit default swaps can't just be bought and sold in, you know, in the dark, which is what they still are. Between two parties. Let's make sure they're at least traded on an exchange, where people can see them. Where their prices can be tracked. Where you can assess the risk. If one company is doing too much of that business, the exchange could, you know, it indicates that. Investors would see that."

This was just a total shock. The extent to which AIG had gotten into this business was a total shock to even the highest level of federal regulators in Washington. So, why are we not talking about putting these things on an exchange?

BILL MOYERS: Yeah, why are we not talking about it?

GRETCHEN MORGENSEN: We're not talking about it, because these banks make enormous amounts of money facilitating those trades, creating these swaps for their customers, allowing them to trade, being the middle man. They don't want, they don't want transparency. They want opacity. They don't want people to be able to
see what these things are trading at, because at the moment they do then the spreads narrow, the profits come right out of that business. And this is an enormously profitable business for them.

BILL MOYERS: And could this business, unregulated, un-- without transparency bring us down again?

GRETCHEN MORGENSON: Yes. Absolutely. Now, what they have decided to do, what has been proposed is to put them on clearing houses, to make these things trade through a clearing house of some kind, but not all of them, only the most simple. Now, none of these things is simple. But the most kind of what they call plain vanilla. And so, the more exotic things where I make an agreement with you to buy or sell something, some stream of income, those would not ever be done on a clearing house. So, you’re still going to have an enormous amount of this stuff trading really behind the curtain. And without the knowledge of very you know, any regulatory organization.

BILL MOYERS: What about the proposed legislation for a Consumer Financial Protection Agency that would monitor the banks and the lenders to see that the ordinary person is protected, the ordinary consumer is protected? Are you for that?

GRETCHEN MORGENSON: Well, I think it could help. I felt all along, Bill, that it wasn’t that we needed more regulation. We needed regulators with an appetite to regulate. We had plenty of regulations on the books about mortgages, about products, practices, no one was enforcing it.

I mean, you have to have the DNA of this agency, of the people running it, from the very top on down, has to be a pro-consumer, an unwillingness to be captured by the industry they’re overseeing, which completely occurred at the Fed, at the Office of Thrift Supervision, the controller of the currency. All of these entities that were supposed to be monitoring the banking system for this kind of thing, for these kinds of problems were enthrall to the banking system. So, I would hope that if we are going to institute one such an agency, that you would staff it with people who actually want to do that. But we have such a dismal, woeful record on this that it’s hard to imagine.

BILL MOYERS: What about the proposal that some people are making to put it with the Fed, with the Federal Reserve? Isn't that a contradiction? Because the bank Fed is concerned with banks, not with consumers, right?

GRETCHEN MORGENSON: Exactly. And the Fed, honestly, hasn't had any pro-consumer DNA in its system since the early 1990s. It’s really not in that game at all. And so, to house an agency at-- in the Fed, which was you know, the entity that was pushing for relaxing capital requirements at the banks. That did nothing to prevent these exotic mortgages from being made and dispensed, you know, in the billions and billions. So you know, I would be hard pressed to understand how that particular entity is really going to get religion, shall we say, on the consumer, you know, protection world.

BILL MOYERS: Let me show you an ad that the Chamber of Commerce ran aimed at the Consumer Financial Protection Agency. Watch this.

WOMAN: Americans are losing sleep over this economy. Especially small business owners, worrying about payroll and mounting bills. Now Washington wants to make it worse, with the CFPA, a massive new federal agency that will create more layers of regulation and bureaucracy. The CFPA will make it harder for small businesses to access credit. Small businesses work too hard to suffer further. Urge congress to stop the CFPA. Go to StopTheCFPA.com.

BILL MOYERS: What do you think about that?

GRETCHEN MORGENSON: What’s interesting about that ad, Bill, is that it takes two completely separate things and melds them together. There is a problem for small businesses right now. They can't get money from the banks who will not lend to them, okay? So, I have sympathy for the small business owner. And small business drives America and drives employment in this country. So, yes, they are beleaguered. But they are not beleaguered because of a consumer protection finance agency. They are beleaguered because the banks took too many risks and are now withdrawing from the market and will not lend to them. So, it’s very clever. It's very cynical. To talk about the poor beleaguered small business owner who exists and then to make them feel like this thing, this consumer finance agency is going to add to their burden. It’s ludicrous. But it taps into a very real problem in this country, which is that small businesses cannot get money from the banks.

BILL MOYERS: And why can't they?
GRETCHEN MORGENSON: Well, they're too busy well, you know what happens. Whenever you have a problem, whenever you have a credit crisis, the banker who was so willing to lend to a person who didn't even have a pulse to buy a mortg-- to buy a home, now will not lend to somebody who, you know, has a very good business and simply needs money to, you know, make payments for inventory, for example.

It-- the banker lends you the umbrella and then asks for it back when it rains. So, it's raining, they're asking for the umbrella back. So, yes, there are small business people who are in terrible condition. And my heart goes out to them. Because they do really, it's America is very dependent on these people to create jobs. And to, you know, provide tax receipts. But they can't get money from JP Morgan, from Citibank, from all of these banks that made all these mistakes. That's the problem they're having.

BILL MOYERS: You mean the taxpayers cannot get their money back, because the taxpayers put up the money to bail out these companies?

GRETCHEN MORGENSON: Right. There are so many paradoxes--

BILL MOYERS: Yeah.

GRETCHEN MORGENSON: --in this mess.

BILL MOYERS: For example, that propaganda by the Chamber of Commerce, and it is propaganda. How do these reform groups counter that? How do they reach the ordinary citizens? With that kind of distinction you just made?

GRETCHEN MORGENSON: It's a very big problem, Bill. We don't, you know, many people don't have a voice. I think that the frustration that you sense, that I sense, that a lot of people feel out there about this lack of reform and about the banks being in control and sort of, you know, lording it over Washington, really comes from a sense that there's no outlet for their rage and their anger. They don't have a lobbying organization to go to Congress and say, "What about these millions of people over here? This one who just lost their job. This one who just lost their house. This one who has a credit card bill that you know, at a 28 percent interest rate." They're voiceless and they feel powerless. And it's frustrating and it makes them angry. And I don't blame them.

BILL MOYERS: Senator Chris Dodd who chairs the key Senate Committee on Banking has taken so long to move any legislation toward reform that Jon Stewart's been having some fun with it. Take a look.

SEN. CHRIS DODD: First the legislation will end too big to fail bailouts.

JON STEWART: Wait, we hadn't done that already?

SEN. CHRIS DODD: This legislation will create an early warning system.

JON STEWART: We don't have an early warning system? It's taken you idiots two years during the worst financial collapse since the Great Depression to compile a list of regulations we should have put into place the next day? Well, better late than never, I guess. At least now we can have the legislation that would stop the next crisis from occurring.

SEN. CHRIS DODD: This legislation will not stop the next crisis from coming.

BILL MOYERS: He's saying what you're saying.

GRETCHEN MORGENSON: Yeah, well.

BILL MOYERS: What about Senator Dodd and his Committee. Senator Dodd for years was a big recipient of Wall Street money. He was very close to them. What do you think about him and that committee? Can we rely on them to do the right thing?

GRETCHEN MORGENSON: No. In a word. I think one thing that goes back into a little bit of ancient history which tells us what we need to know about Senator Dodd is that in 1991, when the government was creating new legislation to make it easier for the Federal Deposit Insurance Corporation to unwind failed banks, this was right after the savings and loan crisis, there were a lot of failed banks. This was a way to make sure the FDIC would unwind these institutions at the lowest cost to the taxpayer. It was a good legislation in many ways. But there was an amendment that Senator Dodd introduced that was attached to this legislation that expanded the cast of institutions that could call on the Federal Reserve's emergency backstop powers. If they were ever to get into trouble.
BILL MOYERS: And what did that mean, practically?

GRETCHEL MORGENSON: It meant that no longer would it just be limited to commercial banks, that the Fed could backstop commercial banks if they got into trouble, with its emergency powers. Now it could be extended to noncommercial banks. That could include insurance companies. That could include investment banks. So, this is a guy who was instrumental in a very quiet way, nobody really paid attention at the time, a couple of academics did, expanded the too big to fail crowd. Now, I don’t pretend to think that he knew this was coming.

BILL MOYERS: No, no.

GRETCHEL MORGENSON: Nobody knew it was coming. But it is an interesting fact that his-- this was his amendment.

BILL MOYERS: He’s in charge now of reform.

GRETCHEL MORGENSON: Right. Now, maybe he, you know, regrets that. I don’t know. Maybe he didn’t understand the meaning of what it would do or whatever. But now we have lived with the consequences of the expansion of the safety net for the too big to fail institutions. It was an unpleasant, unsavory, costly episode we would like to not have to live through again. But I think that, you know, you look at what a person does over their career. And, you know, more than what they say.

BILL MOYERS: Isn’t the problem also not only that members of Congress get big contributions from the industry, but that the administration is now populated by people who were in private on Wall Street at the time all of this happened? And now they’ve been put in charge of policing it. It’s almost like putting the arsonist in charge of the-- making him your fire chief, right?

GRETCHEL MORGENSON: Don’t get me started on that.

BILL MOYERS: Why?

GRETCHEL MORGENSON: It’s so true. I mean, you all of the people who did not want to regulate derivatives are in positions of power. Larry Summers. You know, now Gary Gensler who is the head of the Commodities Futures Trading. I think he’s had a change of mind. And wants to really let you know, regulate these things. But, Timothy Geithner, our Treasury Secretary, was on the scene of all of this extreme growth and risk taking. Was running the New York Fed. Countenancing all kinds of risks that were taken at Citigroup, which was under his purview. You know, it’s troubling that we have the very same people who were really on the scene of this disaster. You just don’t get a sense that they are really and truly reformers in, you know, the true sense of the word.

BILL MOYERS: Well we will be watching what happens and reading what you write about it. Thank you very much Gretchen Morgenson for being with me again on the Journal.

GRETCHEL MORGENSON: My pleasure.

BILL MOYERS: Listening to a seasoned reporter like Gretchen Morgenson talk about how money overrides reform calls to mind that wicked old curmudgeon and satirist from the last century, Ambrose Bierce, who described politics as “the conduct of public affairs for private advantage.” That was long ago but in an eerie way he was forecasting America’s perverse political culture today. It seems like every effort to reform a system that’s gone awry ends up benefiting the very people who wrecked it in the first place, which is why in his classic little book “The Devil’s Dictionary,” Ambrose defined reform as “a thing that mostly satisfies reformers opposed to reformation.”

So as we heard earlier, the new health care reform bill will hand the insurance industry up to 32 million new paying customers in the years to come, protecting their profits, feeding the insatiable greed of their C.E.O.’s and filling the campaign coffers of the politicians they wine and dine. The drug companies bought their protection before the fight even began, when the White House agreed that if they supported reform - reform, not reformation - they could hold on to their monopoly...no imports of cheaper drugs from abroad, no prescriptions filled at a lower price by our Canadian neighbors to the north.

As for financial reform, well as you heard Gretchen Morgenson say, a year and a half after Wall Street brought us so close to fiscal hell we could smell the brimstone, we still don’t have reform. Senator Chris Dodd has sounded like a champion of reform ever since he announced he will not run for reelection. About time. Since 2005, his top ten campaign contributors have included Citigroup, A.I.G., Merrill Lynch and the now deceased Bear Stearns, all front-line players in bringing on the financial
calamity.

Then there are the Republicans, shamelessly hawking their favors en masse to the highest bidder. The website Politico.com reports that the re-election campaign of Tennessee Senator Bob Corker -- who's one of the key negotiators on financial reform -- sent an e-mail to Wall Street lobbyists soliciting contributions of up to $10,000 for a chance to meet or even grab a meal with the senator. Informed of the e-mail, Corker was shocked, shocked, saying it was, quote, "grotesque and inappropriate."

But did House Republican leader John Boehner think it was inappropriate last week when he advised the American Bankers Association to fight back against new rules and regulations?

This is of course the same John Boehner who in the summer of 1995 walked around the floor of the House of Representatives handing out checks to his fellow Republicans - checks from a tobacco company mind you. I'm not making this up.

So wouldn't we like to have been a fly on the wall earlier this year, when John Boehner sat down for drinks with Jamie Dimon, the C.E.O. of JP Morgan Chase. Reportedly he invited the financial community to pony up the cash and see what good things follow. It's the political version of loading the dice to make sure you win in the game of reform.

I'm not sure what Ambrose Bierce would say about the scam but I think he might agree that the only answer to organized money is organized people.

That's it for the JOURNAL but the debate goes on at our website on pbs.org. Just click on "Bill Moyers Journal." You'll find there just who's fighting financial reform and how much cash they're spreading around to do it. That's all at pbs.org.

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