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BILL MOYERS: Welcome to THE JOURNAL.

Here at week's end we want to talk about the president's trip to Saudi Arabia where he ranks lower in the polls than Osama Bin Laden. One of the country's top investigative journalists is here to tell us why you are paying for the free lunch for people at the top of the economic ladder. And we hear from a historian who has channeled the greatest American radical of our most radical age. But first, a personal response to some news of the week.

If William Shakespeare were around I suspect he might describe the recent flap between the Obama and Clinton camps as much ado about nothing or a tempest in a teapot. Senator Clinton was heard to say that it took a president – Lyndon Johnson – to consummate the work of Martin Luther King by passing the Civil Rights Act of 1964. Almost no one in the media bothered to run the whole quote. Here it is:

HILLARY CLINTON: Dr. King's dream began to be realized when President Lyndon Johnson passed the Civil Rights Act of 1964, when he was able to get through Congress something that President Kennedy was hopeful to do, the president before had not even tried, but it took a president to get it done"

BILL MOYERS: There was nothing in that quote about race. It was an historical fact, an affirmation of the obvious. But critics pounced. THE NEW YORK TIMES published a lead editorial accusing Senator Clinton of "the distasteful implication that a black man needed the help of a white man to effect change." Suddenly we had a rhetorical inferno on our hands, with charges flying left and right, and pundits throwing gasoline on the tiniest of embers. Fortunately the furor has quieted down, and everyone's said they're sorry, except THE NEW YORK TIMES. But I can't resist this footnote to the story.

Many many years ago, I was a young White House Assistant, when President Johnson at first wanted Martin Luther King to call off the marching, demonstrations, and protests. The civil rights movement had met massive resistance in the south, and the south, because of the seniority system, controlled congress, making it virtually impossible for congress to enact laws giving full citizenship to black Americans, no matter how desperate their lives. LBJ worried that the mounting demonstrations were hardening white resistance.

He had been the master of the Senate, the great persuader, who could twist your arm with such flair and flattery you thought he was actually doing you a favor by wrenching it from its socket. He reckoned that with a little time he could twist enough arms in Congress to end, or neutralize, the power of die-hard racists – all of them, including some of his old mentors, white supremacists who threatened to bring the government, if not the country, to its knees before they would see blacks eat at the same restaurants, go to the same schools, drink from the same fountains, and live in the same neighborhoods as whites.

As the pressure intensified on each side, Johnson wanted king to wait a little longer and give him a chance to bring Congress around by hook or crook. But Martin Luther King said his people had already waited too long. He talked about the murders and lynchings, the churches set on fire, children brutalized, the law defied, men and women humiliated, their lives exhausted, their hearts broken. LBJ listened, as intently as I ever saw him listen. He listened, and then he put his hand on Martin Luther King's shoulder, and said, in effect: "OK. You go out there Dr. King and keep doing what you're doing, and make it possible for me to do the right thing." Lyndon Johnson was no racist but he had not been a civil rights hero, either. Now, as president, he came down on the side of civil disobedience, believing it might quicken America's conscience until the cry for justice

became irresistible, enabling him to turn Congress. So King marched and Johnson maneuvered and Congress folded.

NEWS COVERAGE: President Johnson calls for all Americans to back what he calls a turning point in history.

BILL MOYERS: The Civil Rights Act of 1964 ended segregation in public places.

MARCHERS: "We shall overcome..."

BILL MOYERS: But they weren't done. King kept on marching, this time for the right to vote, and once again Johnson kept his word, and did the right thing. As one of his young assistants, I stood on the floor of the House that ides of March when morality and politics converged, and watched the faces of congress transfixed...mesmerized... knowing they were riding the surf of history as the president of the United States enlisted all of us in the cause.

LYNDON JOHNSON: It's all of us, who must overcome the crippling legacy of bigotry and injustice. And we shall overcome.

BILL MOYERS: As he finished, Congress stood and thunderous applause shook the chamber. Johnson would soon sign into law the Voting Rights Act of 1965 and black people were no longer second class citizens. Martin Luther King had marched and preached and witnessed for this day. Countless ordinary people had put their bodies on the line for it, been berated, bullied and beaten, only to rise, organize and struggle on, against the dogs and guns, the bias and burning crosses. Take nothing from them; their courage is their legacy. But take nothing from the president who once had seen the light but dimly, as through a dark glass — and now did the right thing. Lyndon Johnson threw the full weight of his office on the side of justice. Of course the movement had come first, watered by the blood of so many, championed bravely now by the preacher turned prophet who would himself soon be martyred. But there is no inevitability to history, someone has to seize and turn it. With these words at the right moment — "we shall overcome" — Lyndon Johnson transcended race and color, and history, too — reminding us that a president matters, and so do we.

BILL MOYERS: Regular viewers of THE JOURNAL know that one of our all-time favorite movies is the film NETWORK, written by the incomparable Paddy Chayefsky. President Bush's visit to Saudi Arabia this week brought it to mind. Take a look.

NEWS COVERAGE: You think you've merely stopped a business deal -- that is not the case! The Arabs have taken billions of dollars out of this country, and now they must put it back. It is ebb and flow, tidal gravity, it is ecological balance! There are no nations! There are no peoples! There is only one holistic system of systems, one vast and insane, interwoven, interacting, multivariate, multi-national dominion of dollars! Petro-dollars, electro-dollars, multi- dollars..."

BILL MOYERS: So what was President Bush doing in the petro-dollar capital of Saudi Arabia? Given the long-standing political and personal relationship between the Bush family and the Saudi royal family, it's surprising that he waited until now to travel there. They put on quite a spectacle for him. Look at that sword and the gifts of jewels and gold that weighed down the Secret Service who had to carry them away. Watching this coverage, I decided it was time to talk to Craig Unger. He's written two informative books on the subject. HOUSE OF BUSH, HOUSE OF SAUD: THE SECRET RELATIONSHIP BETWEEN THE WORLD'S TWO MOST POWERFUL DYNASTIES was a best-selling account of the 30-year ties between the Bush and Saudi families. This is his latest, THE FALL OF THE HOUSE OF BUSH. He lays out the political intrigues of the administration. For his investigative reporting, Craig Unger has been widely praised. He's now a contributing editor to VANITY FAIR. Welcome to THE JOURNAL.

CRAIG UNGER: Thank you for having me, Bill.

BILL MOYERS: Watching the footage from Saudi Arabia, from that visit to the Gulf states,

the ceremonial sword, the emeralds and the gold, the Secret Service carrying them off, what were you thinking?

CRAIG UNGER: Well, I can't help but think of a recent quote that President Bush himself said which is that America is addicted to oil. Well, this is the story essentially of the oil addict coming to the dealer

And I also think of this long-term relationship that's both personal but in terms of the Bush family and the Saudi family and the larger strategic relationship of the United States and its need for oil.

BILL MOYERS: What kind of job do you think the American press does on reporting a story like this, the President's trip and this balance of power, the stability or instability in the Middle East? What kind of job is the American press doing of telling people what we really need to know about this relationship?

CRAIG UNGER: Well, I think they do very little about it. And the truth of the matter is, I mean, it's so easy to read the foreign press on the internet these days that it's sort of pathetic when you compare even the best American newspapers with that. And you rarely see that - you see again and again the wonderful rhetoric we have about democratizing the Middle East, about trying to fight for the cause of freedom in the Middle East. What you don't see there — you don't see much attention put on what's really going on in Saudi Arabia. It's the human rights abuses. And why are we backing a theocratic monarchy when we say we're fighting for democracy?

BILL MOYERS: Yeah, as I watched the footage, I was struck by the incongruities. Bin Laden and 15 of the 19 hijackers on 9/11 were born and raised in the kingdom. Until 9/11 Saudi Arabia backed the Taliban. The Saudis don't even acknowledge Israel's right to exist, one of America's great allies. And yet here's the President holding the hand of the king and kissing his cheeks. How do you explain a relationship like that that's lasted so long?

CRAIG UNGER: Well the bottom line really is oil. But it's also been a very personal relationship with the Bush family. The elder George Bush, George H.W. Bush, was very, very close friends with Prince Bandar, and--

BILL MOYERS: Who was the ambassador for many years to Washington.

CRAIG UNGER: Right. For more than 20 years. And he would just drop by unannounced at the White House or at the Bush compound in Kennebunkport, Maine, pop into the kitchen and cook dinner with him. He-- a very, very close friend. They went on hunting trips and whatnot. What we've seen in recent years is that relationship has diminished. And the United States has also emerged I think in a weaker and weaker position vis-à-vis the Saudis.

BILL MOYERS: And, you know, no sooner had the President asked to lower the price of oil than the finance minister of Saudi Arabia said not unless the market makes it possible. What does that say about a special relationship?

CRAIG UNGER: Right. Well, I think again and again you're finding what he's asking the Saudis is not going to happen. Another thing we want the Saudis to do is-- or that Bush does is to isolate Iran. And this comes just after we have the national intelligence estimate on Iran saying that Iran, in fact, does not have an active nuclear weapons program. So this completely takes the rug out from under Bush's position.

BILL MOYERS: Do you think he asked the Saudis to help him isolate Iran?

CRAIG UNGER: I think he did. Or at least that's what was said in the background briefings in the White House. One of the unintended consequences of the Iraq War is that we have empowered, we've unwittingly empowered Iran. And this has been terrible for the United States. It's been bad for Israel. It's been bad for Saudi Arabia as well. And yet Bush seems to persist in trying to get the Saudis to be hostile to Iran.

BILL MOYERS: The big news of this trip was the President's promise of a \$20 billion arms package for Saudi Arabia and the other Gulf states, including 900 kits for making precision smart bombs. Why would he bear arms to a country that hasn't lifted a finger to fight terrorism and has an appalling record of human rights?

CRAIG UNGER: Well, we need the Saudis. We need their oil. We need them in geo-strategic terms. And frankly that's about all we have to give them are weapons. That's been part of the long-term relationship with Saudi Arabia. Effectively, we have defended them and in return we've gotten a reasonable oil for many, many years from them.

BILL MOYERS: We defended them when Saddam Hussein invaded Kuwait, right?

CRAIG UNGER: Absolutely.

BILL MOYERS: For which we get \$100 a barrel of oil, right?

CRAIG UNGER: Well, in recent years it has gone up to that. It was as low as \$22 a barrel right after 9/11. And therein I think you can see the relat-- how the relationship has changed. Right after 9/11, the Saudis flooded the market with oil and they dropped the price from \$28 to \$22 a barrel. Now it's gone up to \$100 a barrel in just-- what is it? Six years or so. So it's gone up nearly by a factor of five. And we have no leverage whatsoever in terms of getting it down again.

BILL MOYERS: Help us understand this paradox. The President goes to Israel and assures Israel that we will guarantee its security. Then he goes to Saudi Arabia, which does not recognize Israel, and takes them that big arms package.

CRAIG UNGER: Well, it does seem at times we don't seem aware of the consequences of our actions, we go around talking about democracy but the Saudis, of course, are-- it's a brutal theocracy. There's not much in the way of human rights there. The whole vision of democratizing the Middle East I think really, in practical terms, has fallen by the wayside. And America's objectives really when it comes down to it, seem to be Israel's security and oil. Those are the two main things that we're trying to do. And even on that score, it seems we're in an increasingly weak position.

BILL MOYERS: The Wall Street Journal just the other day quoted a leading newspaper in Lebanon that's been friendly to America saying, quote, democracy in the Middle East is now part of history. Nobody believes Bush anymore. He has turned the Middle East into a big mess. And you can't bring democracy and change with instability. What do you say to that?

CRAIG UNGER: Right. Well, I think that's absolutely the case. The whole vision is in tatters right now. And it's very unclear what-- what options the United States has right now. You sort of look for stability. But I don't think we're going to get very far in terms of bringing down the price of oil. We have no real leverage. The United States has always needed-- sort of-- we've had twin pillars of American policy in the Middle East. If you go back when the Shah of Iran was in power, it was Israel and Iran. When he was overthrown and after Khomeini took power, we switched to the Saudis. But even now it seems like that relationship-- at least the balance of power has tilted more towards the Saudis than to us.

BILL MOYERS: What do you make of the fact, Craig, that the President could hit all the hot spots and high spots in the Middle East, Israel and the West Bank, Kuwait and Bahrain, the United Arab Emirates, Saudi Arabia. But he did not go to Iraq five years after he invaded and occupied it. What's the message there?

CRAIG UNGER: Well, the message is we haven't done what we said we were going to do. It is there, you know, to the extent there is stability at all now and there has been some decreased violence, it's almost because Baghdad has become a Shiite city. You've almost had ethnic cleansing there. Democracy has not worked at all. I think that whole vision is in tatters.

BILL MOYERS: And the Saudis are Sunnis, right?

CRAIG UNGER: Absolutely.

BILL MOYERS: They don't want to see a strong Shiite authority in Baghdad, do they?

CRAIG UNGER: No, not at all. And in many ways they regard al-Maliki as an agent of Iran. If you look--

BILL MOYERS: How come? Prime Minister of Iraq?

CRAIG UNGER: Well, if you look at the history of the Dawa Party, which is where al-Maliki is from-- they were exiled into-- many of them were exiled into Iran during Saddam. Some of them helped shape Hezbollah. So these are our allies. Our policies are so full of contradictions. And I think if you go back to the roots of it, it was built on so many misconceptions that a lot of this is coming home to roost. And the Saudis find it very hard to take us seriously, as do a lot of people in the Middle East.

BILL MOYERS: You're very good at writing the unofficial narrative, the other narrative that we don't see when we watch television or read the New York Times. What do you think was the real narrative of this trip, the real story?

CRAIG UNGER: Well, I think in large part it was a photo op. And that if you look at recent events, we've had the Annapolis Peace Conference. You've had Condi Rice try to make peace with last-minute efforts to try to ease the Israeli-Palestinian conflict. You have us make-- showing how friendly are-- we are with the Emirates and with the Saudis. In fact, none of that is really happening. I think what's been going on in Israel is you've seen new settlements that's outside of Jerusalem. And the United States is not putting its foot down. And that means there's not going to be much progress on the Israeli-Palestinian front.

You're not going to see much give in the price of oil. You're not going to see the Saudis try to isolate Iran. In fact Ahmadinejad was invited as a guest of King Abdullah to the Hajj in Mecca. He was also invited to the GCC, the Gulf Cooperation Council. And there you saw him walking arm in arm with King Abdullah. So it's almost as if the Saudis are going along without us. They're taking a lead. They're not looking at us to take a lead anymore.

BILL MOYERS: One of the Saudi papers, just as the President was getting there, said-- you know, Palestinians, Arabs, none of us believe he can do anything. He's made a mess out of Iraq. He's made a mess out of Afghanistan. He's about to make a mess out of Iran. We no longer have any confidence in the American President. That comes from the English-speaking newspaper in Saudi Arabia.

CRAIG UNGER: Right. I think he has very little credibility in the Middle East. And I think it extends even to our allies like Israel. There's a lot of fine ceremony on the surface but I think it's very unlikely that those oil prices will go down or that the Saudis are really in a position to help Bush fulfill his vision of reshaping the Middle East, that neoconservative vision that he started off with. And to me it lays in tatters right now.

BILL MOYERS: The book is THE FALL OF THE HOUSE OF BUSH. Thank you, Craig Unger, for joining me on THE JOURNAL.

CRAIG UNGER: Thanks for having me, Bill.

BILL MOYERS: From time to time over the next few months we will step outside the election bubble and look at the hard cold facts of power. We'll have the help of some journalists like Craig Unger, whose reporting raises uncomfortable questions few politicians of either party want to answer. For example: Why do some of the most powerful and privileged people in the country get a free lunch you pay for? You'll find some of the answers right here in this book by that very name: FREE LUNCH: HOW THE WEALTHIEST AMERICANS ENRICH THEMSELVES AT GOVERNMENT EXPENSE (AND STICK YOU WITH THE BILL.) The author is another of America's top investigative reporters -- David Cay Johnston of THE NEW YORK TIMES. He's won the Pulitzer Prize and the George Polk Award and many other accolades over his forty years as a journalist. Welcome to THE JOURNAL.

DAVID CAY JOHNSTON: Thank you for having me.

BILL MOYERS: How did you get interested? I mean, behind FREE LUNCH is a 40-year record of chasing the stories and writing about them in one-- the Philadelphia Inquirer, the SAN JOSE MERCURY, the NEW YORK TIMES. What propelled you?

DAVID CAY JOHNSTON: Well, I was always interested when I was young in the exercise of power. My father, who grew up in New Orleans and then left it because he couldn't stand the racism, would stand my brother and I in front of the little 15-minute news in the '50s. We would see, you know, hoses being turned on demonstrators or whatever and he would say, you know, "There but for the grace of God - go you, you know? You could be black and living in the South and your life would be horrible." And that got me to seeing around me-- things about how people are treated. And then when I became a reporter, I began to realize that you can have a nice life and just report on what the city council said but that there were really interesting things going on if you paid less attention to what the politicians said and more attention to what the government actually did. And it got me to start thinking about how government finance and taxes and government spending are related to the quality of our lives.

BILL MOYERS: But some of your critics have said you've gone beyond investigative reporting in this book to become a crusader against the rich. do you object to people getting rich?

DAVID CAY JOHNSTON: Oh, no. I-- good grief. I have no objection to that whatsoever. But get rich by working hard, working smarter, coming up with a better mousetrap. Don't get rich by getting the government to pass a law that sticks the government's hand into my pocket, takes money out of it, and gives it to you. That's not right. That's not a fair playing field. And Adam Smith, you know, warned again and again that it is the nature and tendency of business people to want to put their thumb on the scale, and even better, to get the government to put the thumb on the scale for their benefit. And that's what we've seen going on now in our society for some time.

BILL MOYERS: Yeah, the theme of the book as I read it is that not that the rich are getting richer but that they've got the government rigging the rules to help them do it.

DAVID CAY JOHNSTON: That's exactly right. And they're doing it in a way that I think is very crucial for people to understand. They're doing it by taking from those with less to give to those with more. So the other moral authority I cite in the book is the Bible, both the Old Testament and the new. And all the way through those two books you can read condemnation after condemnation of taking from the poor to benefit the rich. You will come to ruin, it says in the Old Testament, if you give to the rich and yet that's what we're doing. We gave \$100 million dollars to Warren Buffett's company last year, a gift from the taxpayers. We make gifts all over the place to rich people. And yet the way the news media write about it, people are often very unaware of this because we use complicated terms and meaningless language to the average reader so they don't understand what's happened.

BILL MOYERS: You mentioned Warren Buffet. I was impressed in the book that you do name names. And so let me mention some of the names that you talk about in the book. Warren Buffet. Everyone respects him as the world's greatest investor. Yet he's in your book on free lunches.

DAVID CAY JOHNSTON: In Several places.

BILL MOYERS: Several places.

DAVID CAY JOHNSTON: He got a \$665 million interest-free loan for the utility he has in the Midwest. Now--

BILL MOYERS: From? He got the loan from?

DAVID CAY JOHNSTON: From the taxpayers. Now, imagine for a moment that the house

you live in today, you bought it 24 years ago and you agreed to pay the price then. And now you've got to pay back with no interest half the price in the dollars you agreed to in 1924. You could be rich just from that alone?

BILL MOYERS: But those are the rules. Buffet was doing something legal.

DAVID CAY JOHNSTON: That's right. And that's always the biggest scandal is what is legal. Steve Jobs. Well, Steve Jobs got \$70 million of stock options at a meeting of the board of Apple company directors that never took place.

BILL MOYERS: In fact, you say Steve Jobs arranged to have his fraudulently-issued options exchanged for restricted stock worth hundreds of millions. And the government has yet to take any action.

DAVID CAY JOHNSTON: Well, not against him.

BILL MOYERS: But not against him.

DAVID CAY JOHNSTON: They prosecuted two people under him, one of whom said, "I warned Mr. Jobs about this." Mr. Jobs says, "You know I really didn't understand the rules."

BILL MOYERS: Donald Trump.

DAVID CAY JOHNSTON: Donald Trump benefits from a tax specifically levied by the State of New Jersey for the poor. Part of the casino winnings tax in New Jersey is dedicated to help the poor. But \$89 million of it is being diverted to subsidize Donald Trump's casino's building retail space.

BILL MOYERS: How does that happen?

DAVID CAY JOHNSTON: Political connection, the news media not paying enough attention,

BILL MOYERS: The New York Yankees.

DAVID CAY JOHNSTON: George Steinbrenner, like almost every owner of a major sports franchise, gets enormous public subsidies. And Steinbrenner is getting more than \$600 million for the new Yankee Stadium on-

BILL MOYERS: From the public?

DAVID CAY JOHNSTON: From the public But, you know, the major sports franchises which are, first of all, exempted from the laws of economic competition. So-

BILL MOYERS: Yeah, a monopoly.

DAVID CAY JOHNSTON: That's right. Irony is not dead. They derive, I show in Free Lunch, 100 percent of their profits from subsidies. In fact, if it weren't for these subsidies, the baseball, football, hockey, and basketball enterprises as a whole would be losing hundreds of millions of dollars a year.

BILL MOYERS: And the irony, as you say, is that at least 27 billionaires own major sports teams, all of which benefit from public subsidies.

DAVID CAY JOHNSTON: In one way or another. Some much more than others. But they all benefit.

BILL MOYERS: You remember what Art Modell said back in 1996 when he was

manipulating Baltimore and Cleveland into a bidding war for his football team? He was asked how he felt about taking money for his out-of-pocket for his own pocket at the very same time library funds were being cut. Remember what he said?

DAVID CAY JOHNSTON: Oh, yes. The pride of having a professional baseball team is worth more than 30 libraries.

BILL MOYERS: George W. Bush.

DAVID CAY JOHNSTON: Well, this is one-- this is a great irony. George Bush owes almost his entire fortune to a tax increase that was funneled into his pocket and into the use of eminent domain laws to essentially legally cheat other people out of their land for less than it was worth to enrich him and his fellow investors.

BILL MOYERS: By building this stadium in Arlington, Texas

DAVID CAY JOHNSTON: For the Texas Rangers.

BILL MOYERS: --baseball team-- Texas Rangers.

DAVID CAY JOHNSTON: Right.

BILL MOYERS: That's right.

DAVID CAY JOHNSTON: One of the key sources I quote is a prominent Republican lawyer married to a United States senator who is the expert in Texas on municipal finance. The subsidy, he says, is \$202.5 million. And Bush and his partners captured about 168 million of it.

BILL MOYERS: Bush, you say, used eminent domain to claim the land on which the stadium was built, right?

DAVID CAY JOHNSTON: Right.

BILL MOYERS: And Bush advised his investors, his co-investors this is a sweet deal ...

DAVID CAY JOHNSTON: Oh, yeah. He said that I mean, here's this money losing team. It's got this little stadium. It can't make money. But if we can get a stadium built, it'll be worth a lot of money. And that's going on all over the country. All you have to do is get the stadium built and we'll-- you'll be rich.

BILL MOYERS: One of your most revealing stories in here for me is about the small merchant of a fishing and outdoor gear who's put out of business by a big competitor who gets \$32 million in subsidies from the local government.

DAVID CAY JOHNSTON: Well, you know, if you walk into many of the big box retailers today, you have to pay sales tax at the cash register on whatever you buy. Well, in many of those stores, the government never gets the money. The owners of the stores get to keep it. And who are the big beneficiaries of that? The Walton family that owns Wal-Mart and the Cabela family who own Cabela's, which is a fin, feather, and fur outfitting club for fishermen and hunters. And in this little town — in the Poconos, 4,100 people — they came and said, "We want to build the world's largest outdoor store. \$32 million dollars. And the local town fathers went for it because they said all these jobs it'll create and all this economic benefit. And Jim Weaknecht who runs this little tiny store that makes enough money that his wife can stay home and raise their children.

DAVID CAY JOHNSTON: He's outraged. He goes, "Nobody gave me a subsidy. If I had gone to City Hall and said, 'Give me a million dollars,' they would have laughed at me." And, you know, he charged lower prices than Cabela's. They still ran him out of business. This little town gave the Cabela family the equivalent of about 11 years of the entire city

budget for police and fixing the streets and everything else. And this is going on all across America.

BILL MOYERS: Cabela promised jobs and more money flowing through the economy but that hasn't happened--

DAVID CAY JOHNSTON: No, it hasn't happened. And, in fact, that's the argument made everywhere. What you're really doing is using this government subsidy to draw business away from the existing local merchants who are effectively being taxed to subsidize the newcomer.

BILL MOYERS: You have a chapter in here about an economics professor who embraced the idea of getting government out of the way of business. And yet then he turned around and made cultivating government his business, quote, leaving behind a trail of death and costs that were shifted onto the taxpayers. And he went on to become our government's Treasury secretary.

DAVID CAY JOHNSTON: John Snow was a brilliant young economics professor and lawyer who wrote about how the government system of regulating transportation was inefficient and causing difficult costs. And in the Ford administration-- had a prominent role in promoting deregulation of trucking. Then he got a job with the CF-- what's now the CSX Railroad.

BILL MOYERS: And what is CSX?

DAVID CAY JOHNSTON: It's one of the largest railroad companies in America. And that railroad, the-- his mentor, Hays Watkins, won an award from INDUSTRY WEEK magazine. And the whole reason for the reward was their success at milking the government for favors. And Snow, throughout his career, spent an enormous amount of time going and meeting not with presidents of the United States but with the congressmen and senators and the staff members and the bureaucrats you're never going to hear about in the Transportation Department and the Appropriation Department to get all the rules and favors that he wanted.

And one of the worst rules is this. If you're on an Amtrak train and there is an accident and something happens to you, the damages that occur are always paid by the taxpayer, even if, as in the case I tell about in the book, there was a known unsafe condition that CSX caused in its zeal to cut costs and to increase Mr. Snow's salary.

Even though Snow was warned and warned this is dangerous, we're not doing enough for safety. There were official investigations. They stuck to their policy. They saved \$2.4 billion dollars. Well, people died because of it. One widow pressed her case, got all the way to the Supreme Court with it. Got \$50 million in damages awarded by a jury. Couldn't today 'cause Governor Jeb Bush in Florida signed a law to prevent this from happening again. But got \$50 million in damages. Didn't cost CSX a penny. They just handed the bill to the taxpayers and said, "You get to pay."

BILL MOYERS: Because this is a law.

DAVID CAY JOHNSTON: That's the law.

BILL MOYERS: Passed by Congress.

DAVID CAY JOHNSTON: That's right. And this is a moral hazard. It's another thing that Adam Smith warned us about. You shouldn't be able to say, "I get the rewards and you the taxpayer are going to take up all the risks."

BILL MOYERS: Are you agreeing with Ronald Reagan that government is not the solution; government is the problem?

DAVID CAY JOHNSTON: Well, there are lots of problems with the government. I've spent

my life exposing all sorts of problems with government. But government is fundamentally essential. Government is what creates for us civilization. We created this country so that we could be free, so that we could pursue our lives the way that we want to pursue them. And wealth is a byproduct of that. But the government is being turned into a vehicle not to ensure our liberties and create a level playing field but instead into a vehicle to take from the many to enrich the few.

BILL MOYERS: There was a stunning section in your book where you say these new rules that have come about in the last few years help Goldman Sachs and Lehman Brothers, MBNA, that's the big bank holding company, and Citibank exploit the poor, the unsophisticated, and the foolish because these lenders can now charge rates and impose penalties that were illegal, even criminal, a generation ago.

DAVID CAY JOHNSTON: You know, we used to put people to death 500 years ago for loaning money for interest. And for a long time the government regulated the kind of interest that you could charge. And then we had a Supreme Court decision in 1978. And the Supreme Court in that said, you know, 'cause the way the law's written we're basically undoing the usury laws in this country. And Congress, pay attention, you need to do something to address this. Well, Congress did. Discovered it was a fabulous way to milk banks and related companies for campaign contributions. And they did for years and years and years and years. Now you turn on your television and there's Gary Coleman, the former child star-

BILL MOYERS: Right.

DAVID CAY JOHNSTON: --promoting a loan where they'll put the money right into your bank account over the telephone, calling in on the telephone, at 99.25 percent interest. Almost two points a week. When I wrote that I was thinking about a mob guy who was a loan shark and what he would have thought because he spent some time in prison for loan sharking if he were still alive about these ads where now big corporations are doing what he used to do. Except they don't break your legs, they just take your house.

BILL MOYERS: But we've been through 30 years of deregulation now. And as you yourself point out in Free Lunch, America today is more than twice as wealthy as it was in 1980. And the economy is putting out two thirds more per person. I mean, you even remind us that more than half of the wealth created in this country since the United States began has been created in the past quarter century. What's to complain about that?

DAVID CAY JOHNSTON: Well, that's tremendous economic growth. The problem is where it's going. The increases in income and wealth are all taking place at the very top. In fact 2005 the richest one percent increased their income by far more than the total income of the bottom 20 percent. My contention is that it is government policy that is causing this to happen, that in all sorts of different ways there was a time when government policy was to create and nurture and build a middle class. We have a GI bill. We built an interstate highway system. We invested in education and hospitals. Now we have a government whose policy is to enrich the already rich and make them richer. That's its focus. And I believe that if we continue down that road you create instability and you don't create as much wealth.

BILL MOYERS: You point out, by the way, that Bill Clinton as president gave the super rich a larger tax break than George Bush's tax cuts, right?

DAVID CAY JOHNSTON: Yeah, I love to trot this one out when somebody goes, "Oh, you're from the New York Times. You must be, you know, pro-Democrat or liberal or whatever." I'm the guy who broke the story and reported on the fact that Bill Clinton gave the super rich, the 400 highest income people in America a big tax cut. They were paying 30 cents out of each dollar of their income to the federal government when he came into the office. When he left, it was down to 22. Bush has lowered it to 17. Now, first of all, notice you're probably paying more than 17 cents. May well be paying more than 22. But Bush gave them an eight cent tax cut-- I'm sorry. Clinton gave an eight cent tax cut and Bush only gave them five cents.

BILL MOYERS: Let me read you this quote from one of your critics, Larry Kudlow of

NATIONAL REVIEW online and CNBC. He wrote this a couple of years ago after in response to something you had reported in the New York Times about how Bush's tax cuts on dividends and capital gains had helped people with the highest incomes. Quote: "These entrepreneurs use their God-given talents within the Reagan-esque free market framework that deregulated, slashed tax rates, and provided the first strong dose of economic incentives since the 1920s. A rising economic tide over the last 20 years has lifted living standards, productivity, and employment throughout America. Everyone got richer with a full \$39 trillion in new wealth created during this period. Fair?"

DAVID CAY JOHNSTON: No. Not accurate either. First of all a rising tide lifts all boats unless you're in the dinghy tied to the dock. And then you get swamped. The poor America, and it's not like being poor in the third world, but the poor America are worse off. Most Americans have seen their incomes stagnate or decline slightly. People have fewer fringe benefits. They have less in retirement. They have an enormous amount of debt. For every additional dollar since 1980 the people have gotten in equity in their homes, they've taken on \$2 of debt. That's not a prescription for getting well off.

Entrepreneurs? Entrepreneurs are people who are going to perform no matter what. And we had our greatest economic growth when we had much higher tax rates. You want entrepreneurs. You need entrepreneurs to have a good society. I don't have any problem with entrepreneurs. But we need to have a system that also fairly distributes-- and government rules affect the distribution of this; it is not in a vacuum-- the burdens of society and the benefits of society. And so when we have people who make billion dollar a year incomes and pay 15 percent taxes and janitors who pay the same tax rate and school teachers who pay a 25 percent tax rate, something's amiss.

BILL MOYERS: But did you notice what happened when the Democrats briefly toyed with the idea of removing that tax break from the hedge fund and private equity managers Congress thought very briefly about removing it. And then the industry held a big party for-- Harry Reid, Senate Democratic majority leader down in Las Vegas, and he came back from that big party and said, "I don't think we'll be taking that up anytime soon."

DAVID CAY JOHNSTON: The problem of the political donor class's outsized influence and its grip on Congress is bipartisan. There's one party in Washington. It's the party of money. It has different wings and factions. But Washington is the party of money. And the wealthiest people in America, the large corporations in America, are busy milking the government for everything they can get. And you are paying the price of their free lunch.

BILL MOYERS: The book is FREE LUNCH: HOW THE WEALTHIEST AMERICANS ENRICH THEMSELVES AT GOVERNMENT EXPENSE AND STICK YOU WITH THE BILL. David Cay Johnston, thank you for joining me on THE JOURNAL.

DAVID CAY JOHNSTON: Thank you.

BILL MOYERS: Back in mid-January of 1980, another race for the Presidency was underway. As it is now, many Americans were worried about the economy and a failed policy in the Middle East. They hungered for change and hope.

Along came a former California governor named Ronald Reagan. He rallied his party at the Republican National Convention with these patriotic words: "We have it in our power to begin the world over again."

Calling for a revolution, Reagan chose those words from the writings of America's first great radical, and our first best selling writer. His name was Thomas Paine. Over two centuries ago this month, Paine's most famous book, COMMON SENSE, sold what today would be fifty million copies. Farmers in the fields stopped to read it.

Other influential works followed including THE AMERICAN CRISIS which proclaimed, "These are times that try men's souls." George Washington took those words to heart when he ordered his troops to be read Paine's passionate call for liberty as they went into battle.

Thomas Paine's extraordinary life was both glorious and tragic. He was not always revered

by some of our other founding fathers. You can read the story in this book by Harvey J. Kaye, THOMAS PAINE AND THE PROMISE OF AMERICA. Harvey Kaye teaches history and social change at the University of Wisconsin Green Bay. He has dedicated much of his life arguing for Paine's decisive influence on the American experiment in democracy. Harvey J. Kaye was in town this week lecturing on Tom Paine. And he's with us now. Welcome.

HARVEY J. KAYE: Thank you. It's great to be here.

BILL MOYERS: Harvey, I have never met a historian more enthusiastic about his subject than you are about Thomas Paine. You seem obsessed with him. Why?

HARVEY J. KAYE: Well, I met Paine when I was a child at my grandfather's apartment in Brooklyn, New York. And my grandfather who was a trial lawyer, if he felt that way about Paine, I figured I ought to feel that way too. So, I adopted him. And I didn't-- I wasn't an American historian to begin with. I started out in Latin American studies. I moved into British studies. But I came to the conclusion that the only way to make a difference was to speak American. And the way to do that was to embrace my hero, Thomas Paine, in a public way. So, in the Nineties, it was time to start talking Paine-ized language. And I did so. Because sorry, there was no other writer from the past who spoke to Americans it struck me in the way he did. And spoke to Americans in every generation. And still does.

BILL MOYERS: How do you mean spoke to Americans?

HARVEY J. KAYE: Well, when Paine came to America, he came at the age of 37. When he came to America--

BILL MOYERS: Poor and--

HARVEY J. KAYE: Poor.

BILL MOYERS: Uneducated.

HARVEY J. KAYE: He had been fired by the British government as having been a tax collector. Franklin had encouraged him to come but they probably expected little to come of it. But who knows what goes on in the mind of someone like Franklin. But Paine came to America. And almost overnight, he fell in love with the country. He saw incredible possibilities, incredible prospects. And I think even with the contradictions of slavery and the developing inequality, he saw that Americans had it indeed to make the world over again. Or Americans had it to become Americans. I think that's what he said to America ...

BILL MOYERS: Now, that sounds like a cliché. What do you mean to become an American?

HARVEY J. KAYE: Americans were in the middle of a rebellion. They were already fighting a war. But meanwhile, Washington when he had his officers together as late as January '76 was still toasting the king. Jefferson, Adams, they all said, look, we're part of one nation with the British. And Paine looked out and he said, my goodness. These people can govern themselves. They were already doing so by way of committees in Philadelphia and up in Boston. And he believed that they needed to be made aware of what they were doing. So, it's as if Paine saw what Americans hadn't yet seen, but were already themselves doing.

BILL MOYERS: And yet, who knows him today? I mean, he's not on Mount Rushmore. There's no swell monument to him on the mall. Ask a hundred kids in school to name our founding fathers and they name Washington and Jefferson and Adams. And not one of them is likely to name Paine.

HARVEY J. KAYE: You know, this is interesting. That's what I thought. But when I meet people, you know, I ride in a cab or I walk or even my students. And somehow, they hear a line out of Thomas Paine. And they say, "Oh, I know that." Or they-- and then they realize, oh, that's somebody my father used to talk about. In other words, Paine is the kind of figure from the American Revolution who was passed down. And every generation passed it on in their own fashion. You know, the powerful and the properties and the

privileged, the pious, they all tried to suppress Paine's memory. They often talked about him so much, it probably excited young people to read him. And over and over again, whenever they tried to suppress his memory, a new generation of liberals and progressives and radicals in America reclaimed Thomas Paine to lay claim to America's purpose and promise. Because he spoke of democratic America.

BILL MOYERS: Democratic America being the, bringing the common people--

HARVEY J. KAYE: Yeah. That this was a-- that the common people, that Americans could be citizens and not merely subjects. That people had it within themselves not only to listen to their superiors, but literally to speak to each other and deliberate and govern themselves.

BILL MOYERS: And to overthrow their superiors.

HARVEY J. KAYE: And to overthrow their superiors. Absolutely.

BILL MOYERS: And you say he was-- you say he turned Americans into radicals. And, quoting you, "We have remained radicals at heart ever since." What do you mean by that?

HARVEY J. KAYE: You know, I hesitated to say that when I wrote it. And there was a friend of mine who was visiting with his wife. And his wife read the little bit of the book that I'd written. And she said, "Why don't you say what you really want to say." I said, "What do you mean?" She goes, "You know what you really want to say is that Paine made us all into radicals." And I said, "That's right. That's what I want to say." And I stuck that in and I felt comfortable with it. And what I meant is that, look, working men's parties, free thinkers, abolitionists, suffragists, populists, socialists, progressives, peace activists, Paine's memory was never forgotten, even though we didn't always find him on the mall in Washington, in monuments elsewhere. But you know, Andrew Jackson-- I think it was Jackson made the remark. He said, "Paine doesn't need a monument, you know? His words will forever be his monument." And I bet if everyone tonight gets themselves a copy of Common Sense and at bed time starts to read it, they'll feel like they're reading a friend. Someone who's speaking directly to them.

BILL MOYERS: And yet, as you say and as you heard in that film clip, it's conservatives today from whom you hear more about Paine, right?

HARVEY J. KAYE: Right. Well, for 200 years, conservatives went out of their way to suppress his memory, to speak scornfully of him. And then--

BILL MOYERS: Because he wanted to overthrow his superiors.

HARVEY J. KAYE: And he wanted America to-- for Paine, it wasn't just they didn't make a democracy. For Paine and for Whitman and for others like them, the idea was America was about always experimenting at the limits, extending freedom, deepening equality, making democracy all the more a part of every day life. We find that from Paine all the way through even to the likes of Franklin Roosevelt. These kinds of aspirations.....Reagan began as a Roosevelt democrat, okay?

BILL MOYERS: Four times he voted for Franklin Roosevelt.

HARVEY J. KAYE: And in fact, campaigned for Truman I understand. So imagine this. Here's Reagan, okay? He comes. He admires this man tremendously. He hears Roosevelt quote Thomas Paine in 1942 to rally Americans. By the way, he was the first President, Roosevelt, to quote Thomas Paine and use his name since Jefferson. And Reagan hears it. That was one possibility. I've always wondered where Reagan got Paine. One way possibly was Roosevelt. The second possibility was, Reagan was on the left. The bestseller of the day was Howard Fast's Citizen Paine. One can't help but imagine Reagan who loved reading popular history probably read Citizen Paine.

BILL MOYERS: You write in here that liberals today seem to have all but abandoned the belief that democrats, small d, democratic transformation remains both imperative and

possible. And that Paine had confidence in working people that Democrats today don't have. Even though they try to get working people's votes.

HARVEY J. KAYE: I think it's interesting that just when Reagan is-- conservatives, because of Reagan, decided they would try to appropriate Thomas Paine in the same way he, Reagan tried to appropriate Roosevelt. In fact, in his campaign accept-- in his Republican National Convention acceptance speech, he quotes Roosevelt and Paine.

BILL MOYERS: Yes.

HARVEY J. KAYE: So, Republicans now feel good about it. And they take a little piece of Thomas Paine. They take the piece of Thomas Paine where Paine in the beginning of Common Sense talks about how government is an evil. You know, it's a necessary evil. They don't read that statement in the context of Paine's argument. And that is that-- that people have a kind of inherent democratic instinct. And it's the government of the day that may be evil. That monarchical, aristocratic regime. But that Americans have it in themselves to create a government that's democratic and set a model for the world.

BILL MOYERS: Well, Paine--

HARVEY J. KAYE: Now, liberals-- I'm sorry.

BILL MOYERS: No, go ahead. Go ahead.

HARVEY J. KAYE: And what-- and something happened in the Seventies. The liberals and radicals divided themselves, okay? It was breaking up post '68. I mean, this is my generation we're talking about. Conservatives were utterly worried that the vast progressive cohorts were going to create some singular movement. Meanwhile, liberal and leftists are falling apart. They're going at each other like cats and dogs. And liberal politicians watching the rise of the new right pulled back. They run scared. We saw it with, I mean, Carter was the first of the conservative Democrats to my mind.

The Clinton years. I mean, Clinton gave people hope when he ran. He talked about change. What did we get? We got a Democratic party or at least we got a Democratic administration that put more of its political capital into getting NAFTA passed which was a Republican initiative than they did to pass the national health care. So, one can imagine that Americans themselves are wondering, wait a minute. Why do I need-- why do I need to lean liberal and democratic? I mean, what's going on here?

And you know, we see candidates today, each bringing themselves before the people, presenting themselves. They each present themselves in particular ways. I'm waiting for that candidate who's going to capture that Paine-ized spirit, in some ways, as bizarrely as Reagan did and said, this is-- this country is a democracy. We can do great things. And lay them out... I mean, here are three smart candidates, if we think Hillary Clinton, Barak Obama and John Edwards, okay?

And I ask myself, why amongst the Democratic cohorts say in the Congress and in the Senate we're not seeing people come forth and saying, okay. We may not be able to get a time table for withdrawal from Iraq. Let's get a time table for national health care. Let's ask our Congress, congressional comrades, the Republicans, are they willing to support national health care? We don't even have to lay out a plan. We just want to have a time table for how we're going to go about doing it. I ask myself why we don't hear Democratic candidates say, "We're Americans. We have nothing to be afraid of with immigration. In fact, why not a new deal on immigration? Why aren't we investing heavily in incorporating, if you like, people don't like to use this word, on assimilating all these new immigrants. Why do we view them as a threat? Why are we afraid of the very people who remind us of what we're about?"

BILL MOYERS: One of your peers who I admire very much, Joseph Ellis, wrote a very good review of your book, a very favorable review of your book. He's a historian himself. And he said, "Bringing Paine's words and ideas into our world would be like trying to plant cut flowers."

HARVEY J. KAYE: I actually feared his review before I got to read it because I had no idea he'd actually like anything I had to say. But then, I got to the end and I thought how sad. The loss of hope, the loss of aspiration. How un-American I almost said. I'm not calling him an un-American man. But how-- it didn't seem to Americans should always be trying to plant flowers, okay? To-- there are ways of sprouting things anew. And that's what America's about. We have no reason to fear. We have no reason to be cynical. No reason to be desperate.

BILL MOYERS: But what's happened to the Democratic impulse and aspiration that were the heart of Thomas Paine?

HARVEY J. KAYE: I think it's there. I mean, back in the Nineties, there were some very interesting studies done that showed Americans still subscribe to those very things. That they were looking for some kind of leadership. Not a leadership that was demagogic. And not a leadership that would necessarily exploit their aspirations. But a leadership that would speak to them. You know, there were those figures since Paine who did that kind of thing. One can think about, I mean, the poetry of Walt Whitman. One can think about Eugene Debbs.

And even before that, you can hear in Roosevelt this confidence in his fellow Americans. You could even hear it-- you could even hear it when LBJ spoke of the civil rights and voting rights acts. There were those moments when democratic politicians did grab hold of that kind of spirit. But you know what's funny. When Reagan quoted Paine, once he was in Pres-- in the presidency, he went before the National Association of Evangelicals at Disneyworld and quoted Thomas Paine. Ralph Reed in his first book praised Thomas Paine for having harnessed ideas out of the Bible for Common Sense. Why is it that conservative and Republican types, they ask the right questions.

See, that's the thing. The conservatives have been asking the right questions. They get at the wrong answers. We know-- we need to start asking the right questions. We need to have this kind of confidence in our fellow citizens that they somehow are able to-- they take advantage of that confidence, okay? It's our job to join with our fellow citizens and join them in the courage that we have.

BILL MOYERS: The book is THOMAS PAINE AND THE PROMISE OF AMERICA. Harvey J. Kaye, thanks for being with us. It's good to see you.

HARVEY J. KAYE: Oh, thank you.

BILL MOYERS: That's it for THE JOURNAL this week. I'll see you again this time next week. I'm Bill Moyers.

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