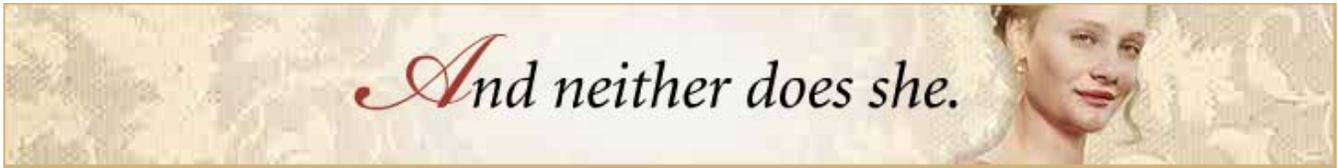


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What's this?



**October 10, 2008**

**BILL MOYERS:**Welcome to the Journal.

You are not alone if you are worried about the financial melt down. So is my guest George Soros, one of the world's best known and successful investors, making billions in times of boom or bust. He's been warning for years of a financial melt down fueled by easy credit and sleepy regulation. Now he's out with this timely book, "The New Paradigm for Financial Markets: The Credit Crisis of 2008 and What It Means."

In the interest of full disclosure, you should know that I served three years on the board of George Soros' foundation, the Open Society Institute, dealing with such issues as a free press, the rule of law, and human rights. But I've had no involvement in his political activities and nothing to do, with his business interests unfortunately. It's good to see you.

**GEORGE SOROS:**Same here.

**BILL MOYERS:**Let's imagine for a moment that we're not in a New York studio but we are in Neely's Barbecue Stand in Marshall, Texas, my hometown, and we're surrounded by people I know, people who have lost half of their 401(k)s in the last three or four weeks, and what they want to know is does this financial meltdown represent the end of the American dream as they have known it.

**GEORGE SOROS:**No. No. I think it's got nothing to do with the American dream as such. There has been some kind of an ideological excess; namely, market fundamentalism for the last 25 or so years. And now that world is collapsing...

**BILL MOYERS:**What do you mean "market fundamentalism"?

**GEORGE SOROS:**It's that markets will correct themselves, that you should leave it to the markets, and there is no need for government intervention in financial affairs. Letting markets run rampant. And that doesn't work.

Markets have the ability to adjust and they're very flexible. There is this invisible hand. But it is also prone to be mistaken. In other words, markets instead are reflecting reality. They always look at reality with a bias. There is always a prevailing bias. I'll call it, you know, optimism/pessimism.

And sometimes those moods actually can reinforce themselves so that there are these initially self-reinforcing but eventually unsustainable and self-defeating boom/bust sequences or bubbles. And this is what has happened now.

This current economic disaster is self-generated. It was generated by the market itself, by getting too cocky, using leverage too much, too much credit. And it got excessive.

**BILL MOYERS:**You used the word "disaster."

**GEORGE SOROS:**The financial system is teetering on the edge of disaster. Hopefully, it will not go over the brink because it very rarely does. It only did in the 1930s. Since then, whenever you had a financial crisis, you were able to resolve it. This is the most serious one since the 1930s, there hasn't been one as serious as this.

Unfortunately, the authorities are behind the curve. They are reacting to these crises as they emerge. One thing leads to another, one market after another gets into difficulty. And they react to it. And they don't quite understand what's hitting them. So they are not anticipating and not gaining control of the situation.

**BILL MOYERS:** This is what's interesting, why wouldn't the government be able to look at what you looked at and see what's coming?

**GEORGE SOROS:** Because actually they have been working on false premises. This sounds very strange, but there's been this development of, this belief of market fundamentalism. And particularly the idea that markets always revert to the mean and deviations from the mean occur in a random fashion. And you can calculate it.

And you will get a nice distribution and you can anticipate it. And based on that, you can manage your risk. And that actually was based on a false idea. This namely, the markets self-correcting because the market moods have a way of affecting the fundamentals the markets are supposed to reflect.

And there's always a divergence between our perception and what actually exists. For instance, take the simplest situation, namely housing.

Banks give you credit based on the value of the houses. But they don't seem to somehow understand that the value of the houses can be affected by the amount of credit they are willing to give. Now, we've developed these fabulous new ways of securitizing mortgages, which has made credit much more amply available.

And we've been able to calculate risk. And, therefore, we were willing to give more and more credit. And that has pushed up the value of the houses. Also, of course Greenspan kept interest rates too low, too long. And so you had very low interest rates, easy credit, and house prices have been appreciating at more than ten percent a year for a number of years. And the willingness to lend actually increased. There was an insatiable appetite for these new fangled securities.

**BILL MOYERS:** Yeah. Nobody understood, really.

**GEORGE SOROS:** Which they didn't properly understand. And there was always a separation between the people who generated the mortgages and packaged them and sold them to you and the people who owned them. So nobody was paying attention to the quality of the mortgages because they didn't have an interest. They — all day collecting fees. And then there were other people holding the mortgages.

**BILL MOYERS:** Right.

**GEORGE SOROS:** And that was not factored into those instruments. The idea was that by distributing risk, you actually reduce risk. But by separating the principal from the agent, you actually greatly increase the risk. And that was not reflected. And the rating agencies didn't realize it. So they gave triple-A ratings. And then a few weeks later, those triple-A bonds became practically valueless. And that's what has happened.

**BILL MOYERS:** But how does the system become deranged like that? So separated from reality like an individual who goes insane because he or she is separated.

**GEORGE SOROS:** Well sometimes we get carried away. I mean, you know, let's say in the Middle Ages, people were religious. And so they had tremendous discussions about how many angels can dance on the eye of a needle. Now, if you believe that angels can dance then that's a legitimate question. And this is exactly what has happened here. You thought that you could slice and dice and engage in this kind of financial engineering. And it became very, very sophisticated and got carried away.

**BILL MOYERS:** What happened that we lost control?

**GEORGE SOROS:** There was a failure of regulations because they couldn't understand these new instruments. But they said, "Oh, well, the banks have very good risk management techniques. So we leave it to them to calculate their own risks."

And, you see, it wasn't only in the housing market. There were all kinds of other financial instruments. So there was not just one bubble. I describe in my book there is the housing

bubble. But this housing bubble, when that burst, it was only the detonator that exploded the bigger bubble, the super bubble.

Which is this 25 years of constant credit expansion using greater and greater leverage. The amount of credit in the economy has been growing at, I don't know, I don't know the exact figure, but maybe at least twice as fast as the economy itself. I think it's more like three.

And now, suddenly, you have a contraction of credit. And it's a sudden thing. And it's a period of great wealth destruction. And that's how these poor people in Texas suddenly find that their 401(k) is worthless.

**BILL MOYERS:** So as we talk, Secretary Paulson and the government seem to be coming around to what you've been advocating and that is taking taxpayer money, public capital, and injecting it directly into the banks — in effect, nationalizing some of these banks. Why do you think that will work when everything else has failed?

**GEORGE SOROS:** Well unfortunately because they are delaying it, it may not work so well because there's a certain dynamism. And they're always behind the curve. So there are many things that they're doing now if they had done several months ago, it would have turned things around.

**BILL MOYERS:** That's a very gloomy assessment. You're saying that everything they're doing is coming too late? How does that ultimately play out?

**GEORGE SOROS:** Unfortunately, that is the case. I'm quite distressed about it. I hope that you know, eventually they'll catch up.

We are determined to put the money in, not to allow the financial system to collapse. And that's the lesson we learned in the 1930s. It's an important lesson. But because we are behind the curve, the amounts get bigger and bigger. If we understood it earlier, we could have brought it to a halt perhaps sooner. But they've got still a number of things to do. And this idea, you see, of just buying noxious instruments of you know, off the balance sheet of the banks was a non-starter.

**BILL MOYERS:** But that was the idea.

**GEORGE SOROS:** But it was the wrong idea.

**BILL MOYERS:** But this is disturbing, George. If everything we're doing keeps accelerating the downward negative feedback and isn't working, are you suggesting, can one insinuate from what you say that we're heading for 1930?

**GEORGE SOROS:** Hopefully not. But we are heading for undoubtedly very difficult times. This is the end of an era. And this is a fact.

**BILL MOYERS:** End of an era?

**GEORGE SOROS:** At the end of an era.

**BILL MOYERS:** Capitalism as we have known it?

**GEORGE SOROS:** No. No, no, no. Hopefully, capitalism will survive. But the sort of period where America could actually, for instance, run ever increasing current account deficits. We could consume, at the end, six and a half percent more than we are producing. That has come to an end.

**BILL MOYERS:** So what do we do now?

**GEORGE SOROS:** We are probably at the height of the financial crisis. I think it can't get much worse. I think it could get a bit worse yet. But then you have the fallout in the real economy.

**BILL MOYERS:** We're in a downward spiral.

**GEORGE SOROS:** We are in a downward spiral.

**BILL MOYERS:**How long will it go on?

**GEORGE SOROS:**Look the one thing that my theory says is that you can't predict the future because the future depends on how you react to it. So if we do the right things then things will not — will be less painful. If you do the wrong things, they'll be more painful. Now, so far we've been doing the wrong things. I very much hope that we'll have a different government in a few months and they'll be doing the right things.

**BILL MOYERS:**Well, don't be shy. What do you think the new government should do?

**GEORGE SOROS:**Well, first of all you have to prevent housing crisis from overshooting on the downside the way they overshot on the upside. You can't arrest the decline, but you can definitely slow it down by minimizing the number of foreclosures and readjusting the mortgages to reflect the ability of people to pay. So you have to renegotiate mortgages rather than foreclose.

And you provide the government guarantee. But the loss has to be taken by those who hold the mortgages, not by the taxpayer.

**BILL MOYERS:**You mean the homeowner doesn't take the loss. The lender.

**GEORGE SOROS:**The homeowner needs to get relief so that he pays less because he can't afford to pay. And the value of the mortgage should not exceed the value of the house. Right now you already have 10 million homes where you have negative equity. And before you are over, it will be more than 20 million.

**BILL MOYERS:**But, you're talking about taking action three months from now, whether it's a McCain administration or an Obama administration. What happens in these next three months? And I'm serious about that.

**GEORGE SOROS:**I am very worried about it. And I hope that they will have a new secretary of treasury, somebody else.

**BILL MOYERS:**Sooner than later?

**GEORGE SOROS:**I...

**BILL MOYERS:**You don't think...

**GEORGE SOROS:**It would be very helpful if...

**BILL MOYERS:**You don't think Paulson's up to it?

**GEORGE SOROS:**Unfortunately, I have a negative view of his performance.

**BILL MOYERS:**Why?

**GEORGE SOROS:**Because he represents the very kind of financial engineering that has gotten us into the trouble. And this buying off the noxious things was a...

**BILL MOYERS:**Buying the bad assets, that was his...

**GEORGE SOROS:**Yeah.

**BILL MOYERS:**First idea.

**GEORGE SOROS:**Yeah, and before that, he wanted to create a super SIV, special investment vehicle, to take care of the other special investment vehicles. That didn't fly. And they are now within a week recognizing that they have to change and inject money into the banks to make up for the whole in the equity because those banks lost money. And they can't make it up by taking their assets off their hands. You have to recognize the losses and replenish the equity.

**BILL MOYERS:**Is that what you would do with the bailout money now? Right now?

**GEORGE SOROS:**Yes, yes, yeah.

**BILL MOYERS:**You would put it where?

**GEORGE SOROS:**Into the capital of the bank so that the capital equity can sustain at least 12 times the amount of lending. So that's an obvious thing. And every economist agrees with this.

You see, what is needed now the bank examiners know how those banks stand. And they can say how much capital they need. And they could then raise that capital from the private market. Or they could turn to this new organization and get the money from there. That would dilute the shareholders. It would hurt the shareholders.

**BILL MOYERS:**Of the bank?

**GEORGE SOROS:**Of the banks. Which I think Paulson wanted to avoid. He didn't want to go there. But it has to be done. But then, the shareholders could be offered the right to provide the new capital. If they provide the new capital then there's no dilution. And the rights could be traded. So if they don't have the money, other people could, the private sector could put in the money. And if the private sector is not willing to do it then the government does it.

**BILL MOYERS:**The assumption of everything you say is that the government is going to be a big player now in the economy and in the financial markets. But what assurance do we have that the government will do a better job?

**GEORGE SOROS:**We don't. Right now they are doing a bad job. So you want to use the government as little as possible. The government should play a smaller role. In that sense, people who believe in markets, I believe in markets. I just want them to function properly. To the extent you can use the market, you should use the market.

Governments are also human. They're also bound to be wrong. Moreover, they are bureaucratic. So they are slow and they are subject to political influence. So you want to use them as little as possible. But to not to use them, see, assumes that markets are perfect. And that is a false belief.

**BILL MOYERS:**Has the whole global system become so complex with such gargantuan forces interlocked with each other, driving it forward, that it doesn't know how to obey Adam Smith's natural laws?

**GEORGE SOROS:**No, I think our ability to govern ourselves doesn't keep pace with our ability to exercise power over nature, control over nature. So we are very complicated civilization. And we could actually destroy our civilization because of our inability to govern ourselves.

**BILL MOYERS:**Would this all be happening if we still had a strong sense of the social compact? I mean, our social safety net has been greatly reduced. The people have a real sense that the gods of capital have left little space for anyone else. People at the top don't have much empathy for people at the bottom.

**GEORGE SOROS:**There is a common interest. And this belief that everybody pursuing his self-interests will maximize the common interests or will take care of the common interests is a false idea. It's a suitable idea for those who are rich, who are successful, who are powerful. It suits them to justify you know, enjoying the fruits without paying taxes. The idea of paying taxes is an absolute no-no, right?

**BILL MOYERS:**Unpatriotic.

**GEORGE SOROS:**Unpatriotic. So, yes, you must have, in my opinion, you need, for instance, a tax on carbon emissions. But that is unacceptable politically. So we are going to have cap and trade. And the trading will have all kinds of loopholes and misuse of the regulations and all kinds of ways of making money without actually dealing with the problem that it's designed to cure. So that's how the political process distorts things.

**BILL MOYERS:**So let's think about those people down at Neely's Barbecue going home tonight having heard you. What they've heard you say is the system is really disfunctioning right now. It's out of control. Nobody's in charge. They've heard you express your own

worry that in the next three months it could get much, much worse.

And they've heard you say that you don't see much good news immediately on the horizon. So let's leave them something to think about as they go home. Let them go home and say, "Mr. Soros said here are three things we can do, simply." One?

**GEORGE SOROS:**Well, deal with the mortgage problem. Reduce foreclosures. Recapitalize the banks. And then work on a better world order where we work together to resolve problems that confront humanity like global warming. And I think that dealing with global warming will require a lot of investment.

You see, for the last 25 years the world economy, the motor of the world economy that has been driving it was consumption by the American consumer who has been spending more than he has been saving, all right? Than he's been producing. So that motor is now switched off. It's finished. It's run out of — can't continue. You need a new motor. And we have a big problem. Global warming. It requires big investment. And that could be the motor of the world economy in the years to come.

**BILL MOYERS:**Putting more money in, building infrastructure, converting to green technology.

**GEORGE SOROS:**Instead of consuming, building an electricity grid, saving on energy, rewiring the houses, adjusting your lifestyle where energy has got to cost more until it you introduce those new things. So it will be painful. But at least we will survive and not cook.

**BILL MOYERS:**You're talking about this being the end of an era and needing to create a whole new paradigm for the economic model of the country, of the world, right?

**GEORGE SOROS:**Yes.

**BILL MOYERS:**One of the British newspapers this morning had a headline, "Welcome to Socialism." It's not going that way, is it?

**GEORGE SOROS:**Well, you know, it's very interesting. Actually, these market fundamentalists are making the same mistake as Marx did. You see, socialism would have worked very well if the rulers had the interests of the people really at heart. But they were pursuing their self-interests. Now, in the housing market, the people who originated the houses earned the fee.

And the people who then owned the mortgages their interests were not actually looked after by the agents that were selling them the mortgages. So you have a, what is called an agent principle problem in socialism. And you have the same agent principle problem in this free market fundamentalism.

**BILL MOYERS:**The agent is concerned only with his own interests.

**GEORGE SOROS:**That's right.

**BILL MOYERS:**Not with...

**GEORGE SOROS:**That's right.

**BILL MOYERS:**The interest of...

**GEORGE SOROS:**Of the people who they're supposed to represent.

**BILL MOYERS:**But in both socialism and capitalism, you get the rhetoric of empathy for people.

**GEORGE SOROS:**And it's a false ideology. Both Marxism and market fundamentalism are false ideologies.

**BILL MOYERS:**Is there an ideology that...

**GEORGE SOROS:**Is not false?

**BILL MOYERS:** Yeah.

**GEORGE SOROS:** I think the only one is the one that I'm proposing; namely, the recognition that all our ideas, all our human constructs have a flaw in it. And perfection is not attainable. And we must engage in critical thinking and correct our mistakes.

**BILL MOYERS:** And that's one...

**GEORGE SOROS:** That's my ideology. As a child, I experienced Fascism, the Nazi occupation and then Communism, two false ideologies. And I learned that both of those ideologies are false. And now I was shocked when I found that even in a democracy people can be misled to the extent that we've been misled in the last few years.

**BILL MOYERS:** The book is "The New Paradigm for Financial Markets: The Credit Crisis of 2008 and What It Means". George Soros, thank you for being with me.

**GEORGE SOROS:** Pleasure.

**BILL MOYERS:** Remember that old song, "You take the high road and I'll take the low road?" Well this week the McCain campaign came to the proverbial fork in the road and went both ways.

In their second debate Tuesday night Senator McCain swung hard at Barack Obama, hard but high. Yet out on the campaign trail he and Sarah Palin went negative big time, their punches aimed well below the belt, as Palin accused Obama of "palling around with terrorists who would target their own country." She was referring to William Ayers, a radical opponent of the war in Vietnam whose militant acts occurred when Obama was eight years old and who later crossed paths with Obama when he became an educator and they lived in the same Chicago neighborhood.

The Obama campaign dipped into the past as well, releasing a short film reminding voters that John McCain was one of the notorious "Keating Five" — those U.S. Senators who intervened in a regulatory investigation during the humongous savings and loan crisis twenty years ago.

McCain's people were upfront about their strategy. One of his top advisers said, "We have no choice. If we keep talking about the economic crisis we're going to lose." So, applying lipstick on the pit bull and holding their nose, they waded into the sewer.

Now voters reportedly hate all this, but it does work — more times than we like to admit. Is negative campaigning then the same as dirty politics? To discuss that, we have with us our regular journal contributor, Kathleen Hall Jamieson, Director of the Annenberg Public Policy Center at the University of Pennsylvania. Her many books include this one, "Dirty Politics: Deception, Distraction and Democracy." Welcome back.

**KATHLEEN HALL JAMIESON:** Thank you.

**BILL MOYERS:** Journalists all over the country this week were talking about the ugly turn that this campaign, in their judgment, has taken, about the disgusting things they heard and seen, the crowds. It's getting ugly out there.

**KATHLEEN HALL JAMIESON:** It is getting ugly out there. And there should be a way for both campaigns to step up and very clearly say that these are the boundaries within which it is acceptable to work, and we will not work without them. There actually has been an ad on each side that's called the other candidate and campaign "dishonorable." That's a pretty strong charge. But let's keep it in context. Let's go back to 1964.

**BILL MOYERS:** A campaign I know well.

**KATHLEEN HALL JAMIESON:** And not to the ad that everybody turns to, "The Daisy" ad. But let's instead turn to the ad in which a little girl is shown licking an ice cream cone.

**[1964 Johnson Campaign Ad] FEMALE NARRATOR:** Do you know what people used to do? They used to explode atomic bombs in the air, now children should have lots of Vitamin A and calcium, but they shouldn't have any strontium-90 or caesium-137. These things come from atomic bombs and their radioactive. They can make you die.

**KATHLEEN HALL JAMIESON:** That ad, like "The Daisy" ad, only aired once. But that ad, to me, is more problematic than the "The Daisy" ad because Goldwater and Johnson differed on the Test Ban Treaty. Johnson favored. Goldwater opposed. But what the ad suggests is that Goldwater favored putting strontium-90 in the ice cream cone of the little girl. Now, by comparison to that, what's happening now, dishonorable, sleazy, highly problematic. It falls within a range but that we've seen before historically.

**BILL MOYERS:** When you watch politics as a scholar, did anything this week go beyond the boundary of your sense of propriety and offend you personally as a voter, as a citizen, as an American?

**KATHLEEN HALL JAMIESON:** What I respond to more so than the attacks and counterattacks about who knew whom where, and why, are those statements that are fundamentally deceptive about something that matters when you cast your vote.

**BILL MOYERS:** Such as?

**KATHLEEN HALL JAMIESON:** And that would affect governance. So, for example, when you have one side suggesting that the candidate on the other side wanted to privatize Social Security and that would have cut benefits in half for current seniors and it would have invested their money in the stock market so they'd be enmeshed in this crisis, probably losing their money. That's the implication of the ad.

**BILL MOYERS:** The Obama ad about McCain's position on Social Security and Medicare.

**KATHLEEN HALL JAMIESON:** Yes. And that's a deeply deceptive ad.

**[Obama Ad] FEMALE NARRATOR:** John McCain voted three times in favor of privatizing social security. McCain says "I campaigned in support of President Bush's proposal, cutting benefits in half, risking social security on the stock market."

**BILL MOYERS:** What offends you about that?

**KATHLEEN HALL JAMIESON:** What offends me is that if you're a current senior citizen and you look at that ad and you take it at face value, you would believe something that is untrue. The Bush proposal wouldn't even have let you invest in these accounts. You weren't eligible. So, first, it wouldn't have affected you at all. Secondly, as a result, your benefits wouldn't have been cut in half. And that projection for when there might have been a reduction in benefits would have been into the far distant future under some scenarios.

But more importantly, in the implication that that ad and the current financial context is and you'd be invested in the parts of the market that are now crashing. The Bush proposal would have put you into a category of investments that are not experiencing the same kinds of decline that you're seeing right now.

Now, you can say, "I oppose the Bush proposal," and there are many reasons to do it. But you can't say legitimately that current seniors would have been affected by it at all. Now, that's a form of deception that is extremely problematic. And I call that dirty politics.

**BILL MOYERS:** What about the other side?

**KATHLEEN HALL JAMIESON:** On the other side, there's an ad that is still airing. And the implication of that ad is that Senator Obama is attacking the troops for killing civilians.

**[McCain Campaign Ad] FEMALE NARRATOR:** Who is Barack Obama? He says our troops in Afghanistan are...

**BARACK OBAMA:** Just air-raiding villages and killing civilians.

**FEMALE NARRATOR:** How dishonorable.

**KATHLEEN HALL JAMIESON:** Let me read to you what Senator Obama actually said in the real context. "We've got to get the job done there. And that requires us to have enough troops so that we're not just air raiding villages and killing civilians, which is causing enormous problems there."

He was talking about military strategy. He was talking about a need to increase the number of troops to have a different kind of strategy. That wasn't an indictment of the troops. That was an indictment of the strategy. And this in a context in which the Defense Secretary, Secretary of Defense Robert Gates, has apologized for civilian casualties. That's a consequential ad, if you believe that, you might draw a bad inference.

**BILL MOYERS:** But how is the audience to know? How does the audience ever catch up with the truth of this?

**KATHLEEN HALL JAMIESON:** The audience has to break out of the partisan media context that reinforces the belief that these ads are accurate.

**BILL MOYERS:** The audience can't do that. The audience comes to a speech because it is partisan, right?

**KATHLEEN HALL JAMIESON:** Right. But you hope that that partisan audience has enough exposure to places that give you both sides so they're able to hear the other side and is able to hear credible sources and accepts them as credible to indicate when their side is wrong and when the other side is wrong. It's easy to hear those times in which the other side is wrong. It's much harder to be in places to hear that your side is wrong, first, because increasingly we're not going to those kinds of places.

But it's also difficult because of the way we hunker down in our own ideology for us to hear when we — our own side is actually not telling us the truth. This is an outrageous deception about Senator Obama and if believed, consequential.

**BILL MOYERS:** Is it just dirty politics? Or is it negative campaigning to suggest that a United States Senator is un-American and a friend to terrorists?

**KATHLEEN HALL JAMIESON:** The notion that we would impugn the integrity of a person running for president on the other side, question their patriotism, is something that we all ought to step back from and say that is unacceptable. The evidence that one should have to mount to make that kind of case should be so clear and so overwhelming that it would persuade that person's mother. And for practical purposes, those are charges that are out of bounds.

**BILL MOYERS:** Is there a yardstick for distinguishing negative campaigning and dirty politics? I mean, negative campaigning can be telling unpleasant truths about your opponent, right?

**KATHLEEN HALL JAMIESON:** Yeah, I don't like the word "negative" at all. I'd really like to get rid of it in politics.

**BILL MOYERS:** And use what?

**KATHLEEN HALL JAMIESON:** I'd like to use the word "attack." And attack can be perfectly legitimate. In fact, it's the basis for making distinctions. There is a difference between Senator McCain and Senator Obama on Social Security. There's a difference on healthcare reform. There's a difference on tax policy. And all those differences can be pointed out in attack advertising that will help you make an informed judgment.

If it's accurate, if it's fair, if it's relevant to government, those are legitimate uses of attacking. I wouldn't call those negative. I don't like the word "negative" because it blurs the dirty with the clean attacks. If we take attack out of politics, you'll never be able to distinguish between the two candidates.

**BILL MOYERS:** This week, speakers at McCain rallies were consistently using Barack Obama's full name, Barack Hussein Obama. Now, that is a fact. That is his name. What takes that into the realm of dirty politics?

**KATHLEEN HALL JAMIESON:** I worry whenever someone stands up and treats the name Hussein as if somehow that's illegitimate, as if that constitutes an indictment. We've really failed when a name that many, many, many Americans have, a perfectly legitimate name, is somehow now automatically associated with terrorism. Why should it? Why does it?

**BILL MOYERS:** Well, it shouldn't. No, I agree with-

**KATHLEEN HALL JAMIESON:** It means there's something so wrong-

**BILL MOYERS:** What's wrong with being a Muslim, for example?

**KATHLEEN HALL JAMIESON:** That, well, that's the other problem. I mean, look, every time someone says, "Senator Obama is not a Muslim." You know, how dare you say that he might be a Muslim? How do you hear that if you're a Muslim? We ought to be able to say Senator Obama is Christian without making being a Muslim something that is something we've tagged as being a negative identification.

We've taken all these categories and we've let people use them to prompt inferences to tie to 9/11, tie to terrorism. And we've taken a whole part of our own community as a result, people around the world who identify with us as well, and we've labeled them on arbitrary grounds to be something that we ought to despise and worry about and oppose and react viscerally to. The failure in this discourse is that we even let these kinds of inferences sit out there unexamined when they first started percolating to the surface. I'd like to be able to use anybody's name and not evoke 9/11 without a problem.

**BILL MOYERS:** There was an Obama film released this week that offended me as a journalist because they used the filmmaking process to suggest the credibility for the charge about McCain and the Keating Five that they wouldn't have had in a 30-second commercial. Take a look at this.

**[OBAMA CAMPAIGN AD] MALE NARRATOR:** If you think about what fraud is. Fraud is the creation of trust and then its betrayal.

**KATHLEEN HALL JAMIESON:** Well, this — first, this is a web ad of some sorts. I mean, I don't know if you call something that long an ad. But it's a web ad. You see it on the web. It's not the documentary form that's problematic. It's the inference that's invited by juxtaposition.

And this has been a week of juxtaposition. We've got William Ayers, Barack Obama friends in one set of claims. You've got all the scandals of the current weeks on Wall Street allied to McCain.

And we put them together, draw the inference that it's causal, draw the inference that he really was responsible, not that there was a Keating Five, that he was the most responsible, and that somehow it's linked to all of these current scandals that we have right now. And so what we have in this past week is a text, you know, kind of textbook case of guilty by association and argument from juxtaposition.

**BILL MOYERS:** Is that the pattern of consequential deception that emerged this week in both the stump speeches and the ad? Was there a theme to this week's ugly politics?

**KATHLEEN HALL JAMIESON:** Well, the first theme to the ugly politics is deception about each other's policy positions that will relate to governance.

That's the first category this week. Meaningful policy deception. You draw inferences from those about the candidates' stance, and you're wrong. You draw inferences about what they'll do in governance, and you're wrong. The second category is this guilt by association and argument by visual juxtaposition.

And the American people need to say about that what relevance does any of that juxtaposition have for governance? First, what's the inference and is it accurate? But secondly, does it pass the test of relevance even when you come down to what's accurate? I'd like to say about all of these guilt-by-association moves, first, what are the basic facts? Let's make sure we've got those right.

And then based on what we know, what do you infer about how they would act as president, about how they would engaged in policy decision making, about the policies they would offer? And if the answer is, I can't find any way that it forecasts any of that, do we actually believe that because William Ayers hosted a coffee for Barack Obama and they served on a board together and they had some association of school reform efforts in Chicago that Barack Obama supports what William Ayers did?

It reminds me of something that happened in 1964, but we have a change now. And one of the questions underlying all questions about dirty politics are, is it different or not? And

here's the difference. In 1964, the team that you were part of or the administration that you were a part of-

**BILL MOYERS:**Right.

**KATHLEEN HALL JAMIESON:**-Put together an ad that shows pictures of the Ku Klux Klan and burning crosses and Klansmen marching. And it's very evocative. It's very powerful. A drum is beating in the background.

**MALE NARRATOR:** "We represent the majority of the people in Alabama who hate niggerism, Catholicism, Judaism, and all the -isms in the whole world." So said Robert Creel, Grand Dragon of the Alabama Ku Klux Klan. He also said, "I like Barry Goldwater, I believe what he believes in."

**KATHLEEN HALL JAMIESON:**Now, Barry Goldwater had repudiated that endorsement. The campaign in '64 decided not to air that very expensively produced ad because they were afraid if they aired it, it would create a backlash. And I went through all the records in the LBJ Library. And I didn't find anybody standing up and saying, "It would be morally wrong to do it." But I did find people who thought that it would create a backlash.

Now, why were they concerned? If Goldwater had repudiated the endorsement, they assumed that the press would point it out and the public would be smart enough to say, "Well, then it means nothing." It means that these horrible despicable people have endorsed, but it doesn't mean anything. Barry Goldwater has repudiated. Now let's jump forward. William Ayers, Barack Obama. Barack Obama has repudiated what William Ayers did in the Weather Underground — '64 it didn't become part of the campaign.

**BILL MOYERS:**Right.

**KATHLEEN HALL JAMIESON:**Now it is. That's a change. And it says our tolerance for those kinds of inappropriate inferences is different. The confidence that that inference somehow is legitimate now where there wasn't confidence that it was in '64 is now present. And that's problematic. I worry about that.

And I worry about on the other side, by the way, about Senator McCain. What does it mean that he was involved in the Keating Five scandal? Well, first, we need to get the facts right. But more importantly, he has said it was the worst mistake of his life.

**BILL MOYERS:**He's repented that.

**KATHLEEN HALL JAMIESON:**He has essentially said he's learned from it. Do we now draw the inference that because of it he's going to act as he did back then in whatever way was inappropriate back then, if he becomes president? Or do we believe that he learned from it and, as a result, he's far less likely to act in any way that would suggest that kind of a problem?

If you looked at his career since then, you'd say reasonably the inference is he learned a lesson and he will not go anywhere near that kind of problem in the future. That's what motivated McCain-Feingold. That's what motivated his attacks on earmarks, et cetera, et cetera. So the notion that something can be accurate but not relevant is one that we're missing as we assess these claims.

**BILL MOYERS:**But historically, hasn't politics always been contact sport? And I mean, gladiators. The campaigns go very deep into the human appetite and the human desire for combat and to see your opponent devastated and beaten and left on the field, right?

**KATHLEEN HALL JAMIESON:**Well, to the extent that we use war metaphors about campaigns, sometimes they're more accurate and sometimes they're less accurate.

**BILL MOYERS:**Well, "campaign" itself is a military term.

**KATHLEEN HALL JAMIESON:**Yes. Yes.

**BILL MOYERS:**Have you been on the mili-

**KATHLEEN HALL JAMIESON:**Yes, yes.

**BILL MOYERS:**-you know, Alexander the Great, a military campaign. Napoleon, a military campaign.

**KATHLEEN HALL JAMIESON:**And campaigns may be the way in which we displace more violent means of settling our disagreements. But we should be able to take all of our impulses to want to see contact and combat into an arena in which the combat is of ideas. And the contact is the clash of competing ideas.

There's a question that's asked in the debate this week, about Social Security and Medicare and the fact that what we essentially have are unfunded obligations. It's an important moment for the candidates to explain their differences and their similarities. Now, what doesn't Barack Obama tell us? Barack Obama doesn't tell us that he is proposing to raise the payroll tax on those making over \$250,000. He won't do it for about ten more years.

It will be a two to four percent increase. But, nonetheless, he has a plan that will help. It won't solve but it will help to solve the shortfall in Social Security. Now, why doesn't he say it? He doesn't say it because before he came to this position, he considered the possibility of raising the payroll tax on everyone from \$102,000, the current payroll tax limit, to \$250,000 and all the way up.

**BILL MOYERS:**Right.

**KATHLEEN HALL JAMIESON:**He just put it as an option. He didn't say he supported it. But it sits in the record. He's afraid that if he says, "That's what I'm going to do," Senator McCain will come back and say, "Yes, but weren't you really considering the option — the other option? Is that really what you plan to do?" So the American people didn't learn that he actually took a position that would help us address a problem.

Now, what didn't Senator McCain say? Senator McCain didn't say, in answer to this unfunded problem, this problem of unfunded obligations in Social Security and Medicare, "I, Senator McCain, voted against the prescription drug benefits. As a result, when the country took on an obligation without any ability to pay for it, without any sound funding mechanism to pay for it, I stood against it."

Why doesn't he tell us that? Because senior citizens who got the perspective drug benefit would say, "Well, I'm not gonna vote for you then. You opposed my benefits." What's the problem? We had a moment in which we could have learned what one candidate proposes to do, what one candidate has already done.

We also have, in that same debate, a statement by Senator McCain that invited an immediate follow-up by Tom Brokaw, and it didn't occur. Senator McCain in that debate told us that future beneficiaries of Social Security would not get the same benefits as the current beneficiaries.

**BILL MOYERS:**I thought that was the moment that illuminated the possibility of a real debate.

**KATHLEEN HALL JAMIESON:**And at that moment we should have stopped the debate, and we should have said, "All right, let's look at--" because there's a question on the table about Social Security and Medicare. There's also a question on the table about your priorities.

We could have stopped to say let's look at how you're going to address this large entitlement and the fact that it's going to run out of money in the foreseeable future. It's going to start running a deficit in the even shorter term future.

**BILL MOYERS:**Right.

**KATHLEEN HALL JAMIESON:**What Senator McCain has said is everything's on the table. But in the debate, he puts something on the table that I'd always thought they'd both taken off, which is the possibility that we might have lower benefits offered. If he actually meant that, he's proposed essentially a spending cut. But it has real consequences for senior citizens.

What has Senator Obama said? Senator Obama has said that he doesn't want to cut benefits and he doesn't want to raise the retirement age. Now, he didn't say that in the debate, but he said it elsewhere. We could have actually had a debate right there about

how to deal with Social Security, make it work long term. And we-

**BILL MOYERS:**Both men would have been holding a live wire, though.

**KATHLEEN HALL JAMIESON:**They would have been-

**BILL MOYERS:**The live wire of American policy.

**KATHLEEN HALL JAMIESON:**They would have been holding a live wire. But we had a journalist who could have followed up in that moment and could have asked the question. And remember the first debate the question that is asked is, "What would you do to change your plans in light of financial circumstances?" And Senator McCain says he'll freeze everything except the entitlement programs and veterans' affairs and defense. Now, the problem in that answer is, and it's the beginnings of an answer to the question, is there's not much left in the budget after entitlement programs, defense, and veterans' affairs.

In this second debate, we had the possibility of asking, what about entitlement reform? What about that piece of this very large budget in this new financial situation? And when Senator McCain said we might not have the same benefits in the future that we have now, he was opening the beginnings of a dialogue. If he meant to say that, it was the most significant statement that was made in the entire debate about entitlements and about the budget.

**BILL MOYERS:**In this news cycle, this week's debate is already old news. The last debate between these two men comes next week. What do you hope this debate might clarify that voters need to know before the election?

**KATHLEEN HALL JAMIESON:**I think that voters are very confused by the discussion in this debate about who will cut taxes for whom under their current plans. I think the debate needs to clarify the fact that Senator Obama has no plans to increase taxes on those couples making less than \$250,000. I think the debate has confused people about Senator McCain's healthcare plan.

I think the debate needs to clarify that when he provides \$5,000 to those in the fundable tax credit to those who currently have insurance, that will offset the fact that he is going to be taxing those benefits that you're getting from your employers. I think the debate has the possibility to clarify what these candidates actually have on the table about Social Security, very important issue for a lot of people. And I think the debate has the possibility to clarify the basic impulses of these two candidates to engage in diplomacy or talk and stronger action under what kinds of circumstances.

**BILL MOYERS:**What's the one question, the most important question you think Senator Obama should ask Senator McCain this week? And then vice versa.

**KATHLEEN HALL JAMIESON:**I think they should each ask each other the same question. And the question should be: In light of the unprecedented circumstances in which the country finds itself right now, read the headlines for the last week, what of your taxing and spending plans are you willing to change? And what are your priorities as you ask what will be preserved? But-

**BILL MOYERS:**They've done that, Kathleen. But-

**KATHLEEN HALL JAMIESON:**They've-

**BILL MOYERS:**-twice they've been asked that, and they won't answer.

**KATHLEEN HALL JAMIESON:**Well-

**BILL MOYERS:**They run like a rabbit.

**KATHLEEN HALL JAMIESON:**The reason I think that they should ask the question again is because I believe that both of these candidates, either one if elected, is not going to be able to deliver the spending promise and is not going to be able to deliver the tax cutting that's promised. And I think it's important that they repeatedly be given the opportunity to answer that question.

Because, at some point, the American people need to hear that answer if we're going to forecast governance effectively. And I think if the candidates were courageous, they would say, "And before you answer that question, I'm going to tell you my answer, because by telling you my answer, I'm going to assure you that this isn't a trap so that when you answer, I come back and tell you about all the things I'm going to spend on because we don't really have to do that under my administration."

**BILL MOYERS:**The book is "Dirty Politics: Deception, Distraction, and Democracy." And Kathleen Hall Jamieson, thank you for coming back again.

**KATHLEEN HALL JAMIESON:**You're welcome.

**SEN. JOHN MCCAIN:**Nailing down Senator Obama's various tax proposals is like nailing Jell-O to the wall.

**SEN. BARACK OBAMA:**Senator McCain, I think the Straight Talk Express lost a wheel on that one.

**SEN. JOHN MCCAIN:**Senator Obama has never taken on his party leaders on a single major issue.

**SEN. BARACK OBAMA:**Can I respond to this briefly, please?

**TOM BROKAW:**Well...ah...look guys the rules were established by the two campaigns we worked very hard...

**BILL MOYERS:**It was just a week ago that Congress rushed to judgment on that \$850 billion dollar bailout demanded by the White House. Looking at the global markets this week, the results so far have been anything but beneficial. A rush to judgment is almost always counterproductive. Six years ago this week, Congress passed another resolution at the insistence of the Bush administration — that was the resolution authorizing war in Iraq. You know how well that's worked. The parallels between the two votes are striking. And on our website at pbs.org you can see an essay commemorating the Iraq debate. That's at pbs.org.

Finally tonight, it's hard at a time when scruples and principle seem in short supply — to remember that some people do keep alive in themselves "that little spark of celestial fire" that George Washington called "conscience." Yet, it burns, in many ways. Next week public television stations will be broadcasting two independent documentaries that remind us how even in the worst of times, some people strive to do the best of things.

"Soldiers of Conscience" will air on the series P.O.V. It profiles eight American soldiers — four who decide to become conscientious objectors, and four who believe that on the battlefield, killing is a difficult but justifiable choice...

**PETER KILNER:** I think clearly as we look throughout history, war can be an awful but necessary and morally right choice. You can't say that you believe in human dignity and human rights if you're not willing to defend them.

**CAMILO MEJIA:** Suddenly, you know, I say, you know, I'm not going to go to war. I'm not going to go back to that. I'm not going to go back to obey everything that I'm told, keeping my mouth shut, and ignoring the fact that I have a conscience. I'm going to take a stand and I'm going to say, "No. I'm not going back to this war."

**BILL MOYERS:**The second film — "Torturing Democracy" — recounts how the Bush White House and the Pentagon decided to make coercive detention and abusive interrogation the official U.S. policy on the war on terror.

**MALCOLM NANCE:** We have re-created our enemy's methodologies in Guantanamo. It will hurt us for decades to come. Decades. Our people will all be subjected to these tactics, because we have authorized them for the world now. How it got to Guantanamo is a crime and somebody needs to figure out who did it, how they did it, who authorized them to do it, and shut it down. Because our servicemen will suffer for years.

**BILL MOYERS:**You'll see and hear some things hard to bear but you'll also meet some government insiders who refused to go along, who stood up and said "this is wrong." Check your local listings to see when "Torturing Democracy" and "P.O.V.'s Soldiers of

Conscience" will be broadcast where you live.

That's it for the Journal. I'm Bill Moyers. See you next time.

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