TRANSCRIPT:

January 8, 2010

BILL MOYERS: Welcome to the Journal.

The ancient Romans had a proverb: "Money is like sea water. The more you drink, the thirstier you become." That adage finds particular meaning today on Wall Street, which began this New Year riding a tidal wave of bonuses in a surging ocean of greed.

Thanks to taxpayers like you who generously bailed banking from the financial shipwreck it created for itself and for us, by the end of 2009 the industry's compensation pool reached nearly $200 billion. And despite windfall profits, the banks will claim almost $80 billion in tax deductions. And nearly $20 billion of those deductions will go to just three institutions — Morgan Stanley, JP Morgan Chase, and Goldman Sachs.

Ah, yes — Goldman Sachs, that paragon of profit and probity — which bet big on the housing bubble and when it popped — presto! — converted itself from an investment firm into a bank so it could get your bailout money. Now consider this: in 2008, Goldman Sachs paid an effective tax rate of just one percent. I'm not making that up — one percent! — while their CEO Lloyd Blankfein pulled down over $40 million. That's God's work, if you can get it. And, believe me, Wall Street bankers know how to get it.

What's their secret? How do the bankers pick our pockets so thoroughly with barely a pang of guilt or punishment? You will find some answers in this current edition of "Mother Jones" magazine, one of the best sources of investigative journalism around today. Most of this issue is devoted to what the editors call "Wall Street's accountability deficit."

In it, the Nobel Prize economist Joseph Stiglitz writes of the "moral bankruptcy" by which bankers knowingly trashed our economy and tore up the social contract.

The magazine's David Corn examines why there's no mass movement demanding fundamental change.

And blogger Kevin Drum tours Washington's heart of darkness from down Pennsylvania Avenue, over to K Street where the lobbyists cluster like vultures, then past the local branch of Goldman Sachs — also known as the U.S. Treasury — and up to Capitol Hill, where key members kneel in supplication to receive their morning tithes from the holy church of the almighty dollar. As Kevin Drum writes, a year after the biggest bailouts in U.S. History, Wall Street owns Washington lock, stock and debit card.

Kevin Drum, formerly with "Washington Monthly," is now the political blogger at "Mother Jones." He's here to talk about his report, along with David Corn, who's been covering Washington for 23 years and is now "Mother Jones'" Washington Bureau Chief. Welcome to you both.

BILL MOYERS: Welcome to both of you.

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DAVID CORN: Good to be with you, Bill.

KEVIN DRUM: Good to be with you, Bill.

BILL MOYERS: Let me read you a letter that was posted on our website a few days ago from a faithful viewer. His name is Mike Demmer. I don't know him personally, but I like to hear from him. He says, dear Bill, I watch your program all the time. What I don't understand is how a bunch of greedy bankers could bring the world to the edge of catastrophe and then in less than a year, already move back to their old ways. How do they do it?

KEVIN DRUM: Well, that's the $64 million question. Or maybe it's the $64 billion question these days. Yeah, how they do it? They've got all the money. And they use all the money. And they use it in Congress to get rules passed and get laws passed that they want. They use it to lobby the Fed, they use it to lobby the S.E.C. They use it to lobby the executive branch. And they get rules passed that allow them to make a lot of money. Just like any of us would. It's not that American bankers are greedier than anybody else's bankers. It's that our rules, our laws, allow them to do things that they can't do everywhere else. We let them take advantage of the system.

BILL MOYERS: But how do you measure their power? Lobbying doesn't happen in the public, in the open. We can't sit in the bleachers and watch the game being played. How do you know they have this power?

DAVID CORN: You can read the lobbying reports. You know that there are scores if not hundreds of lobbyists. And where do they come from? They come from the committees that they're lobbying. People used to work on the committee, whether they were members, Congressmen or Senators, or staffers. And they spent a lot of time — because, ultimately, Bill, this is about knowledge. This is about information. This stuff is really complicated and convoluted. And, you know, you try reading any of one of these bills and figuring out what's actually being said. It's mystifying. And so, these guys who know the rules, they know the language, and they have the access, and they're giving contributions to the people writing the rules, have all the advantages.

BILL MOYERS: But Barney Frank would disagree with both of you. I don't know that he's read your piece yet, but I'm sure he will.

DAVID CORN: Yeah, I'm sure he would.

BILL MOYERS: Barney Frank, Chairman of the House Committee on Financial Services, and a liberal Democrat, said the other day, look, it's not — I'm not affected by campaign contributions. The members of my committee are not affected by campaign contributions. The problem is democracy. He says everybody sitting on this committee represents somebody back home, a local bank, a car dealer, an insurance company. And they come to the committee and they press, as you do in a democracy, for their interests as you just said.

DAVID CORN: But wait a second. I mean when you look at something like derivatives — derivatives, which were used to enable the subprime lending mess that led to the near collapse of the U.S. and global economy- I'm not sure there are bankers back home who are lobbying, you know, the committee. There aren't local derivative dealers that you meat in Main Street, when you go back to town hall meetings. It's a very small group of people who understand this. And we have seen-- the "Wall Street Journal" is reporting this week that there's no real action on regulating derivatives.

BILL MOYERS: I brought that story, because I wanted to read it. Quote, "Lobbying by Wall Street has blunted efforts to step up regulation on derivatives trading by carving out exceptions or leaving the status quo in place. Derivatives take blame for some of the worst debacles of the financial crisis. But a year after regulators and critics began calling for an overhaul in the way they're traded, some efforts have been shelved, and others have been watered down." What does it say when "Mother Jones" and the "Wall Street Journal" reach the same conclusion? That our government cannot stand up to the lobby even on an issue like derivatives, which were at the root of much of our problem over the last few years?

KEVIN DRUM: Well, it doesn't say anything good. And derivatives are a good example of how this stuff works. I mean, take a look at what happened. Derivatives were at the center of the financial meltdown in 2008. And at first everybody was all ready to regulate derivatives. And the big idea was to put them on an exchange, like a stock exchange, where they're all traded publicly and transparently. What happened was there were corporations — you know, if you're an airline, and you're worried about the price of jet fuel, you might want to buy a hedge. Hedge the price of jet fuel. And so, the airlines and some other companies went to Congress and said, look, those are derivatives, but they shouldn't be traded on the exchange, because that's not the financial stuff that blew up the world. No problem. Everybody pretty much agreed they ought to be exempted from that. But then it's all in how you write the rules. So, the rules got written. And as they slowly got changed, it turns out you've got to define who is an end user. Who is a corporation, as opposed to a bank? And the rules got written and they got written a little more broadly and a little more broadly until eventually if you read the rules right, it looked as though pretty much anybody was an end user. Goldman Sachs would end up being an end user. And 80 percent of the derivatives would have been exempt.

BILL MOYERS: And what does that say to us?

KEVIN DRUM: It says that the banks are in charge. And they're in charge, they get people, you know, right now, banks are in, you know, nobody wants to be around Goldman Sachs, right? So, what they do is what you were talking about. They get the car dealers and they get the local banks and the credit unions and so forth to basically front for them. And these corporations go in and they say, "We want an end user exception." And they get it. And then all it takes is a few congressional aides here and there to change the wording a little bit--

DAVID CORN: Now, the interesting thing is at this point having a conversation like this, we've already lost. Because now we're arguing about how the technical side of things are handled. And we- what the Wall Street collapse didn't really lead in Washington or anyplace else was sort of a reevaluation of what finance is supposed to be about. And what government's role might be in advancing a financial system that benefits citizens at large. Wall Street has become a place- and the banking industry, where you don't lend money to improve local businesses and industry. You basically, you know, create new- they call them instruments, devices- to make money yourself. It's really turned into nothing except a casino, in which they lend money and then they make bets and side bets and bets on the side bets about what's going to go up and down. So, a lot of the action is really, at the end of the day, not about providing credit and keeping capital flowing. It's about what- how they think they can make more money through more trades.

BILL MOYERS: Yeah, I was struck by the — by that paragraph in your story, where it said the financial industry has persuaded us, convinced us over the last 30 years that the purpose of the financial industry is not to serve companies needing capital or consumers needing credit, but to make money for themselves. And you go on to say that in a very fundamental way, this financial lobby has changed America. What do you mean by that? That goes deeper than campaign contributions and money and even influence in Washington. You say they've changed our framework.

KEVIN DRUM: Yeah, yeah. It goes a lot deeper. It's what Simon Johnson the chief- former chief economist for the I.M.F., it's what he calls Intellectual Capture. And-

BILL MOYERS: Intellectual Capture.

KEVIN DRUM: Right. It goes beyond regulatory capture, where, say the banks control the S.E.C. That's one thing. Intellectual Capture means that essentially the financial industry has convinced us, you know, in the '50s what was good for General Motors was good for America. Now it's what's good for Wall Street is good for America. And they've somehow convinced us that we shouldn't ask about what's right or what works or what's good for America. We should ask what's productive, what's efficient, what helps grow the economy.

DAVID CORN: This is the Stockholm Syndrome. Where you're hostage starts identifying with the people holding them captive. Americans have been, you know, have been talk- said- told over and over again that if the Dow's going up, if Wall Street's making money, it's good for you.

BILL MOYERS: Often when workers are being laid off. That's-

DAVID CORN: Yeah, but other measurements of the economy aren't taken to- aren't held in such high esteem. And so, when I was talking to members of Congress and pollsters about why there was not more popular, you know, revulsion against Wall Street that was leading to action in Washington, Congressman Brad Sherman — he's a Democrat from California. He led during the whole TARP argument- what he called the skeptics caucus. They were kind of opposed, but they were just raising questions. And he says the problem is that people are told that if you don't serve Wall Street, Americans will be out on the streets fighting for rat meat. That basically the whole-

BILL MOYERS: Rat meat?

DAVID CORN: Rat meat. Those- that's his- those are his words, not mine. I never- think I never would come up with that. With that image. But that- basically, we'd all be out fighting for grub on our own. And that so- what happens is people are — while they're angry at Wall Street, particularly on the, you know, on the corporate compensation front, which is very easy to get angry about. They also are fearful of taking Wall Street on, because they've been taught that if, you know, if the DOW falls, if you take on the big banks, it's going to be bad for all of us. So, it really is this Stockholm Syndrome, where we're forced to identify with people who are holding us hostage without our interest in mind.

BILL MOYERS: So, your conclusion from all of this is, and I'm quoting you, "â€¦the simplest, most striking proposals for reigning in bank behavior aren't even getting a serious hearing."

KEVIN DRUM: Back in March of last year Congress was considering a bill to deal with bankruptcy and home foreclosures. And the Obama Administration thought this goal was a shoe in. They really didn't think they were going to have any problem passing it. And it failed. And--

BILL MOYERS: Fail? You mean it was beaten?

KEVIN DRUM: It was beaten by the banks. They got the bill rewritten. And in fact, not only did they get the bill rewritten the way they liked it. They actually got several billion dollars of extra bailout money put in at the same time.

BILL MOYERS: This was the cram- so called cram down proposal that was designed to help homeowners who were in trouble get through the hard times?

KEVIN DRUM: That's right. And I think what happened was the Obama Administration saw what happened with a bill that they thought would pass easily, and they realized what they were up against. And so, even their original proposals, I think they were watered down even before they went to Congress. And then once they're in Congress, they get watered down some more. And once it gets to the Senate, it's going to get watered down even more.

BILL MOYERS: So, if we get financial reform at all, it will be financial reform riddled with loopholes to benefit the very people who got us in this mess in the first place?

KEVIN DRUM: It's going to be financial reform on the margins. You know, complexity is the friend of the financial industry. If you really want to control them, you need simple rules. So, for example, Paul Volcker, former Fed Chairman. He thinks that we ought to simply prevent banks from being in the securities business. They should make loans. They should underwrite bonds. They should give advice on mergers and acquisitions. The sort of things they've done for years. But they shouldn't be trading securities. We should leave that to hedge funds. We should leave that to other people for--

BILL MOYERS: Take the- let them take the big risks. Don't take the big risks with the money you and I deposit.

KEVIN DRUM: Don't take risks inside the banking system, where you can blow up the world.

DAVID CORN: Where you're also federally insured.

KEVIN DRUM: Right.

DAVID CORN: Right? With our money.

BILL MOYERS: It's government-backed money that they're taking the risk with, right? And so, they tried to eliminate that.

KEVIN DRUM: And that- but that was never on the table. That sort of simple regulation was never on the table.

BILL MOYERS: Why?

DAVID CORN: That's what I mean. They're — for all the talk of what goes on in Washington. And, you know, there's reams of newspaper stories. There are hearings every other week. I mean, there's a lot of activity on this front. But it's on the edges, and it's not about any paradigm shifts. It's about just trying to keep things going as they are. You know, so the airplane, you know, has a few holes in the wings. Let's patch it up and keep flying the same way. And this is where, you know, I think Kevin's right. You need someone to step in whether it's the President or some other voice and say, "Wait a second. There's something cockamamie about the entire system. There's something rotten at its core. We want to look at it deep down."

BILL MOYERS: But don't you think people sense that? That there's something rotten at the core?

DAVID CORN: Yes! But I think they don't know where to turn to. I think a lot of people would follow the President if he did this. He made an early decision in his presidency. And it happened even before he was elected. It was, you know, September 2008, when the market tanked that day and John McCain was flailing and not knowing whether he was going to listen to Newt Gingrich or somebody else. And Obama came out with press conferences, surrounded by Robert Rubin, Larry Summers, and all the guys who had a hand in what went wrong. And saying, hey, I'm with the adults. What he was saying, really, was, I'm with the conventional thinkers.

KEVIN DRUM: There's also tremendous pressure on presidents. I mean, when Bill Clinton came into office, there were things he wanted to do. And he learned very quickly that he had to do what the bond market wanted him to do. And he famously said what? "I have to do what the bond market says?"

BILL MOYERS: What does that mean? To do what the bond market wants?

KEVIN DRUM: It basically means doing what Wall Street wants. It means that if you run a big deficit, if you raise taxes, the interest rates will go up. The economy will tank. And that's what he was told. And eventually he caved in.

BILL MOYERS: In the magazine you have a story about how there was a hearing before Barney Frank's House Financial Services Committee. This was on the derivatives reform. Called seven witnesses for the banking industry and only one critic of the banking industry. And he'd only gone six and a half minutes before the Chairman cut him off. Now, what does that tell you?

KEVIN DRUM: It tells you that the banking industry has convinced us that only the banking industry has the expertise to deal with these very, very complex issues. And we bought it. We all believe that. These guys are the experts. And it is very complicated. This stuff is very, very complex. And that is exactly the reason why you need simple rules to rein it in. Because the more complexity you have, the more loopholes there are. The more you can take advantage. The banks-

BILL MOYERS: But you said a moment ago that you have to save the bad guy to serve the good guy. The airline industry needed the quote derivatives in order to get that, they had to go and give the banking the very- almost the same power they had prior to the meltdown.

DAVID CORN: Well, they don't have to

KEVIN DRUM: They didn't have to, but they did.

DAVID CORN: Yes.

KEVIN DRUM: It probably was-

BILL MOYERS: And they did because?

KEVIN DRUM: It probably was a good idea to try to exempt ordinary corporations who were just trying to hedge uncertainty. But then they took that and expanded it. They didn't have to do that. They did that because the banks were in there lobbying. And it looked like they could get away with it. I mean, the wording was very, very tricky. I mean, you would never notice it unless you were a real expert and looked at the legislative language and realized that a word here and a word there and a word here changed the whole thing.

DAVID CORN: It's like money in politics, which we're talking about a little bit, too. You try to set up these convoluted rules to deal with campaign cash and deal with constitutional issues and it's almost, you know, it's- I won't say it's impossible — but it's tremendously difficult to do it in a way so that you don't leave openings for others to take advantage of, particularly when they have access to the people writing the laws. I mean- Mark Mellman, a Democratic pollster told me, listen, if 99 percent of Americans can't understand derivatives, you can't regulate derivatives in our Democratic process. And I think there's a lot of truth to that. I mean, people have to understand it. If only the people who benefit from them understand what's going on, they have the leg up. And there's no way for average citizens to even enter the process.

BILL MOYERS: Well, yeah, the one guy who goes into the House Financial Services Committee and raises questions about derivatives, he's given six minutes and shown the door, right?

DAVID CORN: Right.

BILL MOYERS: What does this say to you from your many years in watching Washington? Barney Frank's committee, The House Committee on Financial Services received more than $8 million from the industry last year, 2009. Might that explain why seven witnesses for the industry got a hearing?

DAVID CORN: Well, the House Banking Committee is called a money committee. And Congress on the House and Senate side, there are couple committees that they refer to as money committees. Not because they necessarily deal with money. It's because if you serve on that committee, you have access to a lot of money. Campaign cash. Because you deal with industries that are wealthy. As Kevin said, the banks have all the money, literally. And they will give money to people on the committee, if not to vote their way, at least to hear them out. So, their witnesses get perhaps more attention at some of these hearings. And also what the Democrats do, and it's common practice, is you take vulnerable freshman and you put them on the House Banking Committee so they can raise a ton of cash and maybe scare away Republican opponents.

KEVIN DRUM: This is why Barney Frank can tell you he's not affected by campaign contributions. Well, maybe he's not. His seat is safe. But, you know, there's a lot of people on his committee, the freshmen, the second term congressman, who are affected by money, because they do need to get reelected.

BILL MOYERS: Did you see the posting on TalkingPointsMemo.com this week? While Congress was trying to write these new rules to clamp down on the risky derivative trading that we were talking about, several of these New Democrats were in New York meeting privately with executives from Goldman Sachs and J.P. Morgan. And they also managed, while they were here, to sandwich in a fundraiser. I mean, does this raise your eyebrow just a tiny bit?

DAVID CORN: Well it does, and I mean, this stuff happens all the time. It's not new. And, of course, you know, we're talking about the Democrats, because they control Congress. Now, look, Republicans do it when they don't control it. And when they had control, they had lobbyists actually in writing legislation, as well, on financial and other industry matters.

Why do these people feel they can do this without any risk to them? Well, that's because I don't think their voters or voters in general are saying, "Wait a second. This really ticks me off. Why are you meeting with Goldman Sachs and J.P. Morgan? These guys who nearly, you know, brought down our economy. Why talk to them at all outside of a hearing room? You know, outside of grilling? You know, let alone, why take cash?" I mean, our whole system where the guys in charge of regulating or writing the laws would take cash from the people who want favors, you know, it's kind of, you know, bizarre to begin with.

BILL MOYERS: It's a little bit like going to the umpire behind the plate before a game, isn't it? And saying, you know, "Here's $1,000 bucks for whatever purpose. I'll lend it to you."

DAVID CORN: Exactly. So, but there's not the popular revulsion against this S.O.P., the standard operating procedure that happens all the time. And even after what we've seen with Wall Street and even after people who are indeed mad at least in a general way with big banks, these guys still feel they can, you know, fly up or train up to New York City and hang out with them. Take their money. And then go back to Washington and do the people's work?

BILL MOYERS: Look at this. This is a list of all the contributions over the last 20 years to Members of finance-related Congressional Committees. Let's just take the first eight. Out of the first eight, six of them are Democrats. And those six Democrats have received from the financial industry some $68 million. What does it mean to take that much money? And it's Democrats at the top of this.

KEVIN DRUM: It's Democrats and Republicans. But, yes. Look, there's no way you can take that money. I mean, if you talk to Chuck Schumer, you talk to Barney Frank, you talk to these guys. They'll tell you that they take the money, but then they're going to do the right thing anyway. Well, that's just not possible. You know, Chuck Schumer to take an example, he raised so much money up through I think 2004-2005. He actually stopped taking personal contributions.

He had so much money, he stopped taking contributions and headed up the Democratic fundraising Senate Committee. The overall Senate Fundraising Committee. Raised a couple hundred million dollars, a lot of it from the financial industry. And that went to all Democrats. Not just Schumer. It went to all Democrats who were running for the Senate. Well, there's no way you can take that money and not at least be leaning in their direction, one way or another.

BILL MOYERS: Well, let's one example that you report in your story in "Mother

Jones." This is the carried interest rule. The one that declares that compensation from capital gains will be treated as ordinary income. So that the tax rate for hedge fund managers will be 15 percent instead of 35 percent.

They're paying a lower tax rate than secretaries, janitors, nurses, school teachers, members of our team here. What happened when reformers tried to eliminate that loophole?

KEVIN DRUM: If you're running a hedge fund, you are using other people's money and investing it. Now, by any ordinary definition, that's just ordinary income. If I make ten percent or 20 percent, I'm paid basically a commission, that's ordinary income. But the law right now says it's capital gains.

There no excuse for that. There's no excuse for it to be taxed at the lower capital gains rate. It should be taxed at the higher rate. In 2007, after Democrats took over Congress, there was a movement to change that. To tax it as ordinary income, which is how it should be taxed.

And what happened was that the hedge funds who had not really had a big lobbying presence on the Hill before. Because they weren't regulated, so they didn't really need to. They suddenly got religion. And the private equity contributions to Members of Congress suddenly skyrocketed. And eventually Chuck Schumer decided that he would only support a change to the law if it also affected some other industries. And that was just enough to get opposition from other quarters and the bill failed.

DAVID CORN: He basically found a poison pill way to kill it. And Chuck Schumer could say, "Hey, you know, this is a New York issue. Hedge funds are based in New York."

BILL MOYERS: My constituents.

DAVID CORN: "For my constituents." But you know, but really. I mean, you look at all his constituents out in Staten Island and Brooklyn and upstate New York. And you say, "Does this really serve them? So that the guys who play with money, the hedge fund managers, you know, personally, are taxed at 15 percent rather than 35 percent. Is that really a good deal for everybody writ large? The answer, of course, is no.

BILL MOYERS: You know, I've been around a lot longer than the two of you. And I'm still amazed, though, at how brazen this is. I mean, capital gains are, as you said, the profits you make on investing your own money. But these guys, as you also said, were investing other people's money and getting a piece of the action. Under what Webster definition can you call that ordinary income?

KEVIN DRUM: You can't. That is what makes this so brazen. They're not just lobbying for things, "Well, you could argue one way or the other. Maybe one side is right." This is something where there's simply no excuse. And yet, they get away with it anyway.

BILL MOYERS: How do they get away with it? Because, the tea party was about taxes, right? The — one of the causes of the American Revolution was unfair taxation. And yet--

DAVID CORN: We've been talking a lot about politicians and money. There's something they care about more than money, ultimately. And that is votes. That is their job, you know, protection. People in Congress generally want to win their next reelection.

BILL MOYERS: Well, 96 percent of the incumbents usually do.

DAVID CORN: And they usually do. So, they would care to a certain degree about popular anger if it was pointed enough and directed at them sharply enough. But, you know, people don't raise a fuss about this, if there's an angry editorial in the "New York Times" or we rail about it at "Mother Jones" or you do a commentary. You know, they can survive that.

Believe you me, they may not like it. Maybe next time, you know, you run into Chuck Schumer somewhere. He'll point his finger at you. But they can survive that. What they can't survive is people realizing, "Hey, you're not looking out for me. You're looking out for those rich other guys. Because they're giving you money."

And until people get, you know, demonstrate in big enough numbers, that this is a direct concern to them. And every once in awhile, you know, there's an eruption. There's a bubble of activity along those lines. They don't have to worry about it. They live in their own Washington bubble. And they see, you know, they have decades of empirical evidence to base their actions on. They can say, "Yeah, I can get away with this. I can get away with that. I can get away with this. Guess what? I can get away with most anything I try."

BILL MOYERS: Your article confirms for me, reinforces for me what David is talking about. That there are two parallel universes in America today. And that Washington is, as you said a moment ago, a bubble in which they know, the people who write the rules, the beltway press, the people in power, know that they can get away with this, because there's no significant way that the popular angst can penetrate that bubble.

DAVID CORN: Well, I wouldn't say--

BILL MOYERS: We live in two different worlds.

KEVIN DRUM: One thing we haven't talked about yet. And one place where I think you lay some of the-- we should lay some of the blame is the media. And the financial media. I mean, you talk about the carried interest rule that we were just talking about. That's complex. It's sort of down in the weeds. And it gets no attention. People don't see it enough to get angry about it. You can't get angry about something unless you're told about it.

And if you go out and talk to people, there isn't one person in 100, who even knows the carried interest rule was ever up before Congress. Let alone what it means, why it's outrageous, and why they should care about it. And they can't care about it until they know about it.

BILL MOYERS: Where is the countervailing power in Washington? If the press is falling down. If the executive branch is compromised, as you said earlier, by Obama's approach to conventional wisdom. If the bankers are in charge of Congress, and you described there. You also make the very strong case in your article that the Fed is involved in this, as well. The bankers really know how to work the Fed. Where is the countervailing power?

DAVID CORN: There isn't any countervailing power.

BILL MOYERS: You mean I have cancer and there's nothing I can do about it? I'm serious.

DAVID CORN: Well, there could be.

BILL MOYERS: This discourages a lot of people when you give this depressing analysis.

DAVID CORN: I understand that. And I wish I could be more hopeful. And we had a President who ran on a hope platform. You have just described all the major actors in Washington. And, you know, they are, to some degree, responsive to what happens outside of Washington. But if there's no pressure coming into Washington on this stuff, particularly given, as we've talked about, its tremendously profound complication. Then things just sort of, the status quo wins out.

BILL MOYERS: I mean, in Washington, if you are a critic, if you're a journalist in Washington, who reports the kind of-- on Washington the way you do, you get marginalized right?

KEVIN DRUM: Yes. Yes. I think you do. You're not part of Wall Street. You don't really understand what's going on. That's how they feel about it. I think that the Obama Administration — all the people in there — I think they have become convinced, like a lot of people, that if they don't do what Wall Street says, terrible things are going to happen. I mean, if they try to reign in Wall Street, all of our financial business will move to the Bahamas. And we'll lose trillions of dollars. And they believe that. And that's what the banks are--

BILL MOYERS: But as you say so astutely in this article, that happened for 20 years. Washington-- 30 years. Washington did what Wall Street wanted. And we had a debacle anyway.

KEVIN DRUM: Right.

BILL MOYERS: Have we learned nothing?

KEVIN DRUM: The Stockholm Syndrome, as David puts it, is so strong that they still believe it. And, you know, one of the things that happened here is that the bailout last year succeeded in a way, too well. I mean, it worked. TARP worked. All the actions that Ben Bernanke--

BILL MOYERS: Kept us from going over.

KEVIN DRUM: Took us-- yeah, kept us from getting into a second Great Depression. And so, now, what we've got is to a lot of people, just a big recession. There's a lot of unemployment. But it seems familiar. It's a recession. The crisis is over. And now we can go back to business as usual. Because maybe it wasn't as bad as we thought. Memories, memories fade. But, you know, the same thing is going to happen again if we don't reign in the banks.

BILL MOYERS: Yeah, you make that point is that they've actually set up a situation in which we can repeat what happened 18 months ago, right?

KEVIN DRUM: You know, the key thing, I mean, the key thing that drove the housing bubble of the last decade was debt. Was leverage. Banks weren't just making investments, they were borrowing huge sums of money to make investments. That's what makes a bubble bad. Is huge amounts of leverage. Huge amounts of debt.

DAVID CORN: And betting on those--

KEVIN DRUM: Right. Betting with borrowed money. That's the key. You know, the dotcom bubble, when it burst, it was not that bad. There was a recession that followed, but no banks failed. The financial system didn't meltdown. The reason is because it was a bubble, but it wasn't debt-fueled. The housing bubble was debt-fueled. The--

DAVID CORN: 'Cause when we've had housing bubbles in the past that have failed, without, you know, the daisy chain effect.

KEVIN DRUM: We had one in Southern California, where I live. Back in the late '80s and early '90s. And it was bad for Southern California, because again, it was debt-fueled. Now, the regulations that are being pushed through Congress right now, they do almost nothing about that. I mean, they talk about derivatives. They have a consumer finance protection agency. Those are good things.

But the key thing they ought to be getting at is debt. They need to restrict the amount of debt, the amount of leverage that the financial system can use. You don't get rid of it. Credit is the oxygen of the financial system. But you've got to limit it. And they've done almost nothing about that.

BILL MOYERS: And this is-- why?

KEVIN DRUM: Because debt and leverage are the keys to making money. The one thing that Wall Street needs to make money is lots of leverage. They have to have that to make money. So, that's the one thing they will fight for harder than almost anything. And they fought for it so hard that, in fact, the regulations hardly do anything at all.

BILL MOYERS: Well, as you say in the piece, the overdraft fees that they can now charge can equal something like 10,000 percent? I mean, the mafia would like that, right?

KEVIN DRUM: That's right. It's, you know, it's a small part of the picture, but it shows how much power they've got. What happened was overdraft fees on your debit card. The average overdraft is $17. And it's not hundreds or thousands of dollars. The average overdraft is $17. And it gets paid off in five days. And the average overdraft charge is $39. Now, do the math on that, and that's a 10,000 percent rate of interest.

And the only reason banks can do that is because in 2004, the Fed, after being lobbied by the credit card industry, being lobbied by the banks, ruled that even though overdraft protection was marketed as a loan, was marketed as a line of credit, consumers all thought of it that way. It wasn't, in fact, a loan. And so, since it's not a loan, they can charge any interest rate they want.

DAVID CORN: Well, you know, one of the small debates in Washington has been what type of consumer financial protection agency there should be that would look at things like this.

Elizabeth Warren, it was her idea, initially, to even have such an agency, which she proposed a couple years ago. And she wants it, you know, have the power to regulate, you know, banks and credit card companies and others that provide financial services and financial products. And she wants there to be some very simple rules.

For instance, like you have to-- every credit card company would have to provide what they call vanilla products. Whereby, "Here's your credit card. You have, I don't know, 12 percent interest. It doesn't change. No other fees. Until we let you know in a letter with bold print that it's going to change. And we give you the right to keep the card or not keep the card." Something very simple.

And the agency would also have the right to, you know, write these rules and then regulate the companies. So, it goes into, you know, the Washington hopper. And now, you know, it starts getting watered down. They take out the vanilla product stuff. So, the things that would make things easy for consumers to avoid getting caught in scams like the one that Kevin just described, you know, is removed from the bill.

And they say, "Well, you know, maybe we'll have this little agency write its little rules. But we'll let the banking regulators enforce them." The groups that, to date, have really been held hostage by the people they're supposed to regulate. We have a lot of debate in Washington over this. You know, compared to the big picture that Kevin and others have described, this is really a minor reform. But even this minor reform gets sliced and diced until yeah, something might pass.

KEVIN DRUM: People are more afraid of big government than they are of big banks, despite what happened over the last couple of years. And they shouldn't be. They should be-- what they should be is demanding a better government. A government that regulates without being captured by all the special interests. A government that puts in place regulations that are simple and clear. So, David, what you're saying. The vanilla products option, for example, in the CFPA was a nice-- the reason the banks hated it was because it was so simple.

A nice simple regulation. There's no way to get around it. If the rule says you have to offer as an option, this is not the only thing. You have to offer if you're going to do a home loan one option has to be a standard, 30-year, fixed rate mortgage. And you can have all your other options, but you've got to at least tell people they can have that. That's a very simple regulation. There's no way to get around it. And that's why banks hate it.

DAVID CORN: Bill, you keep coming back to the same question. How can they get away with it? I mean, that's really what it all boils down to.

BILL MOYERS: And it's a serious question for this reason. You know, we don't always have popular representation in the government. But from time to time, Civil Rights movement, Suffragette movement, the Gilded Age, the first time-- people do get heard. And men and women in power begin to speak for them. The worry is have we become so big and things become so complex. Have people been so politically abused as a psychologist recently said, that the will to fight for democracy, the political will has been dissipated?

DAVID CORN: Well, I think there may be something to that. It's also-- you know, it takes time and energy to do that. You know, people who are stressed out over, you know, losing jobs or maintaining their jobs, you know, may not, you know, sometimes that leads people to fight. Sometimes it leads people to resignation. Sometimes it leads people just to focus on getting by.

Think about what's happened to our economy. For the aughts, the last decade, there was no net job growth, at all, from 2000 to 2009. For every other decade prior to that, whether it was Republican or Democratic President in charge, the growth was between 20 percent and 38 percent in jobs. So, we've gone from-- that's pretty healthy. Even though at times there have been recessions and wages may not have gone up as much as the number of jobs created. But in the aughts, nothing. This represents, I think, a fundamental turning point for our economy. And that has people--

BILL MOYERS: For our country.

DAVID CORN: Our country. Wigged out. They don't know the future. They don't know who to turn to. They saw what happened with the economic collapse last year. And, you know, it's hard to know, you know, if you can be angry, who to march on. Or whether you're going to hunker down, and try to just get by on your own. They look at rising powers, economic powers overseas. And how we're going to compete with them. It may be a form of abuse, but they certainly look to the Washington system. And this gets to the point that, you know, that Kevin raised. You know, in poll after poll for decades now, if you asked people who are you more scared of in terms of America's future, is it big government or big corporations? Big government always wins by a landslide.

KEVIN DRUM: And remember one thing is that over the last 20-30 years, people have been told over and over and over again that the economy is doing well. The economy's doing great. The Dow is up. And yet, they themselves, most of them, aren't actually making more money. Median wages have hardly gone up at all in the last 30 years. So, you've got all these people who aren't really making any more money. They're treading water. And yet, everywhere they turn, they're being told the economy's doing well. And they start, I think, a lot of people start to blame themselves. They wonder, "If the economy's doing so well, how come I'm not doing better? It must be me." And what they don't see is, no, it's not them. It's the way the system works.

BILL MOYERS: The Republican Congressman from Wisconsin, Paul Ryan, wrote an essay in the December issue of "Forbes" magazine, the title of which was "Down with Big Business." What do you make of that?

DAVID CORN: Well, the Democrats have to worry. Because there is an opening here for the Republicans. If the Republicans looked at what the, you know, see any anger out there about the economy. And they, you know, start attacking the Democrats and say one reason that this is going on is because of Democrat ties to business and show that chart. And yes, we've had our own problems as well. You know, it could be sort of you know a major shift. I don't think they're going to do that. I don't think they're smart enough to do that, quite frankly. Or have the courage to do that. But that is one opening to have a major strategic change in the face of American politics.

KEVIN DRUM: You know, one thing that certainly the Democrats need, I think the country needs is, you know, President Obama really needs to take the lead on this. And he hasn't. He has been in favor of financial reform, but he hasn't really spoken out about it. He hasn't really pushed the banks. He has made a strategic decision that he needs to cooperate with the banks. Cooperate with Wall Street so as not to cause more panic.

And, you know, it this is not this is not something like health care or climate change, where you can see a lot of moving parts that go together. And you can sort of understand why there's a lot of compromise in those things. With financial reform, he could go out there and start pushing on bits and pieces of it. And even if he loses, even if he loses, it doesn't wreck all the rest of it. He doesn't wreck the chances of financial reform in general if he pushes on one pieces and loses.

DAVID CORN: But better yet, that would mobilize people. I mean, sometimes in politics-- I mean, you know this. Sometimes a clear loss is actually a win politically. Because you draw the lines. You show people who's on what side. And you show them what you're fighting for.

BILL MOYERS: Someone said to me the other day, "Obama has not had his Reagan moment. His defining moment." Remember in the early '80s, when Reagan came to the White House. The one of the first things he did was to fire the air control workers. And it was the moment that for conservatives and a lot of independents, who wanted a tough President to stand up to something, I'm not saying Obama should fire anybody. But he hasn't defined himself by his stand.

KEVIN DRUM: Obama wasn't even willing to fire Ben Bernanke. The head of the--

DAVID CORN: Who's now "Time" man of the year.

KEVIN DRUM: The head of the Federal Reserve. And, you know, Ben Bernanke did, I think, a good job after the crisis hit. He didn't recognize the crisis before it hit. After the crisis hit, he did a good job. But that doesn't mean-- you don't deserve to get reappointed to the Federal Reserve. He did a good job managing the crisis. What we need now, though, is somebody who is going to manage the aftermath of the crisis. Somebody who is genuinely dedicated to re-regulating the financial sector.

BILL MOYERS: Let me show you something that Ben Bernanke said to the annual meeting of economists earlier this week, last Sunday, I think it was.

BEN BERNANKE: The best response to the housing bubble would have been regulatory, not monetary. Stronger regulation and supervision aimed at problems with underwriting practices and lenders' risk management would have been a more effective and surgical approach for constraining the housing bubble than a general increase in interest rates.

DAVID CORN: Whoops.

BILL MOYERS: Whoops what?

DAVID CORN: Well, now he's saying what a lot of us said earlier? That we should have had better regulation, you know, rather than just fiddling with interest rates? Kevin mentioned well, he should you know, maybe Obama should not have retained Ben Bernanke. But, you know, we are so far away from that discussion when you look at everything else that's happened. You know, who are some of the top people at Treasury now? A lot of them came from Goldman Sachs.

BILL MOYERS: You have a great chart in your story in "Mother Jones" on that.

DAVID CORN: I mean, my favorite one that I wrote about, and I don't know him personally. He could be a great guy. Never even met him. I tried to interview him, but he wouldn't consent. Mark Patterson. He's the chief of staff for Timothy Geithner, the Treasury Department Secretary. He was a lobbyist for Goldman Sachs. What did he do as a lobbyist for Goldman Sachs? He lobbied against a bill in the Senate to restrain it was a very modest bill, to restrain CEO compensation.

Basically, gave shareholders the right to say, "We think you're paying them too much." It wasn't even mandatory. It wouldn't even cut back pay. He you know, Goldman Sachs would have none of that. He lobbied against that bill. Who authored that bill? Barack Obama, when he was a Senator. So, the guy who fought Barack Obama on CEO pay, an issue that Barack Obama says he cares about. And I believe he does. Is now running the Treasury Department for Tim Geithner. I mean, this really doesn't make a lot of sense to me.

BILL MOYERS: So, what would happen you both talk about mobilization. Let's say that President Obama in his upcoming State of the Union speech called for mobilization. Asked people to do something about this. What would that mean? What would what shape would mobilization take?

KEVIN DRUM: He could do it in a State of the Union address and that might be a place to start. But you know, Barack Obama famously won election through a huge grassroots movement. He's got an enormous, I think 13 million names on his email list. And so forth. But he's refused to use that. He

BILL MOYERS: Write the first email he would send, if you were Obama. What would you send those millions of young people and others who are looking for real change in the elections of 2008. What would you say?

KEVIN DRUM: If it were my email, I would say, "Look, we need to break up the big banks." Look, Alan Greenspan of all people, has said if a bank is too big to fail, it's too big. Allen Greenspan said that. If Alan Greenspan thinks that we ought to break up big banks, if Paul Volcker thinks we ought to break up big banks, this is not a fringe, left view. This is this ought to be a mainstream view. And yet, it's nowhere. That kind of thing should--

DAVID CORN: I'll give you the, I'll give you the first line. The first line should be, "We've been taken for a ride. You know what happened in 2008. I came into office promising change. I've sent some bills up there. They were strong. Maybe they could have been stronger. And I see that they're being weakened. This only makes me believe that we have to bear down harder. And I can only do this with your help."

BILL MOYERS: Okay, I've read that. I'm really excited about that, President Corn. What do you mean? What can I help you do?

DAVID CORN: Send me that $50 as well, Bill.

BILL MOYERS: Well, that's what can I do to help?

DAVID CORN: Okay, well, then been then he would have to he would say, "I have you know, I have I have reset my legislative agenda on this front. Here are the five, you know, provisions I want to see passed this year on regarding financial reform. I want the Consumer Finance Protection Agency to have teeth and be able to offer this. I want, you know, derivatives full, you know, fully transparent. Okay? I want to put back the wall between in banking. Let me tell you why." Now, a lot of this you know, some of this goes to fundamental issues, some of it doesn't. But at least move the, you know, move the ball in that direction.

KEVIN DRUM: If you want to have real change, there's only one place that can come from. That's out of Congress. Congress is the only body which is big enough to actually restrain Wall Street. One way or another, you have to take your 13 million or your 15 million or whatever number of people you've got. You've got to mobilize them to tell their Congressmen that they're mad as hell. And they're not going to vote for them if they don't pass this legislation.

BILL MOYERS: But no one can.

DAVID CORN: It's the only way.

BILL MOYERS: No one can read your piece in "Mother Jones" without thinking, "So, these guys must be laughing all the way to the bank." I mean, the same people who, bought the government off, brought the economy down, caused suffering to millions of people from Orange County to Portland, Maine, are winning all over again, you say. Because, you say, in the same issue, no one's fighting back.

DAVID CORN: My guess is that they feel they dodged the biggest bullet of their lives. I mean who would have thought a year ago that we'd be back we'd be at this point? I mean, I think they probably, you know, worried that, you know that that there'd be communist laws passed. You know, that people would be so angry.

DAVID CORN: Tremendous money and power and influence to wield to get their way. Versus the rest of us, who get nickeled and dimed and we have other things to worry about. You know? People are you know, have you know are worrying about their maybe what their kids going to school safely and getting good educations.

I mean, we have everything to worry about. The bankers and the investment bankers and the financiers, they can grease the way with millions of dollars that gets them billions of dollars in the in return. And it it's not a fair fight.

KEVIN DRUM: People need to have someone to rally around. If they're going to make this happen. And I think that needs to be Barack Obama. He needs to be willing to really take on the bankers. You know, Franklin Roosevelt in his first term. I remember he has a famous quote where he talked about there are you know, there are people out there who hate me. I have earned their hate. And I embrace their hate. And I think Barack Obama needs to be willing to earn the hate of some bankers.

BILL MOYERS: But I don't believe that is his nature, do you? It seems to me after all this time his nature is of a conciliator.

KEVIN DRUM: Conciliation is a good trait. In most cases, I actually think it I think it works well for Obama. But sometimes there are times for a conciliatory attitude. There are times to take somebody on.

Now, one thing one place where I think he's missing a bet is Barack Obama came into office feeling like he did want to bring the country together. He wanted to try to end the partisan wars. But, you know, this issue of Wall Street is one where if he took on Wall Street, the bankers might hate him, but I think that would bring the country together more than you'd think.

'Cause I think there is a lot of anger toward Wall Street. It's latent, but it's there. Among liberals, among conservatives, among libertarians, among independents. I think if there's any one issue where a real show of emotion on his part and a real show that he was going to take these guys on, could bring the country together. It very well might be taking on Wall Street.

BILL MOYERS: So, how you know, how long do we wait for Godot?

KEVIN DRUM: Well, that's up to Godot. That's up to Obama. Nobody knows.

BILL MOYERS: David Corn and Kevin Drum, thank you for being with us on the Journal.

NARRATOR: The banks careful methods give Mr. Adams confidence that his savings are secure, the bank invests much of him money, according to law these investments must be safe investments such as government bonds, municipal bonds and mortgages. The bank is a good place to keep money.

BILL MOYERS: During the recent holidays, across the ocean in London, in the very heart of the city, the district where St. Paul's Cathedral and other historic churches nestle in the same neighborhood as the big multinational banks, some financiers were showing signs of contrition. These modern day Ebenezer Scrooges were actually questioning how they earned their fortunes.

According to the "Financial Times," they were asking themselves how "Financial capitalism has become synonymous with," and I quote, "Crazy risk-taking, with the passing off of toxic investments to unwitting counterparties and the earning of multi-million dollar bonuses, regardless of merit." Talk about mea culpa.

This epiphany came soon after the British government said it will slam a fifty percent tax on bonuses over 25,000 pounds — that would be anything over 40,000 dollars here in the U.S. In April the tax on those who make more than l50,000 pounds — that comes out to an annual paycheck of around a quarter of a million, American — could go as high as fifty percent.

But that news — as well as tighter banking regulations in the United Kingdom — elicited a hearty "Bah Humbug!" from the London branch of Goldman Sachs, which has hinted that if the tax hike goes through, it just might shut down its London operations and ship them to Switzerland, land of the cuckoo clock and secret bank accounts. Take that, patriots.

But as David Corn and Kevin Drum just told us, on this side of the Atlantic, the specter of tighter regulation or higher taxes isn't keeping American bankers up at night, to the contrary. Last month, the American Bankers Association sent out an update a "call to action" memorandum crowing over its success watering down the bank reform bill that had been approved by the House and urging its members to beat back similar legislation in the Senate. It concluded, "As one of your New Year's resolutions, please vow to do everything in your power to show, and to have your colleagues in your bank show, your Senators the right path to true reform."

It helps, of course, when the so-called right path is paved with gold. The nonpartisan Center for Responsive Politics, an indispensable source for information on money's role in politics, reported in November that "The finance, insurance and real estate sector has given 2.3 billion dollars to candidates, leadership PACs and party committees since 1989." You heard me right: Billions. A sum that eclipses every other sector — including the defense and health care lobbies.

All of this is beginning to break through to harried taxpayers across the country. There may not be a movement yet for fundamental change, as David Corn said, but here, there, and elsewhere, citizens are waking up, looking around, and asking, "What can we do?" Go to our website at PBS.org and click on Bill Moyers Journal and you'll see what I mean. We'll link you to nonpartisan grassroots organizations pushing for financial reform.

Next week on the Journal, we'll meet a man who knows something about change. He's the American humanitarian Greg Mortenson. His first book — "Three Cups of Tea" — has sold over three and a half million copies around the world, in 4l countries. It tells the remarkable story of his efforts to build schools in Afghanistan and Pakistan.

GREG MORTENSON: I asked widows and women in rural areas in Pakistan and Afghanistan, "What do you want? I want to help you, but what do you want?" And you'd think most women would say, "I want a good husband, I want a big house, I want prosperity." But what most women tell me are just two simple things. They say, "We don't want our babies to die, and we want our children to go to school." You know, what any mother around the world wants. That's pretty much what drives me on.

BILL MOYERS: That's it for the Journal. I'm Bill Moyers. And I'll see you next time.