BOB KAISER interview

[Start of BOB KAISER]

[00:00]

(crew murmuring)

ALEX: So Bob, in general terms, tell me a little bit about the book; why you did it, and in general terms, what it’s about.

BOB KAISER: Well I wanted to find out what this term, ‘Washington lobbyist’ meant, you know, I felt guilt, I’d used it a hundred thousand times, or edited it in the Washington Post, it was one of the clichés of our time, ‘the lobbyists are big, the lobbyists were important,’ but what did they do? And I had the luxury when I stopped being managing editor of the Washington Post, to take some time and really find out.

[00:39] And I discovered, through a colleague, a helpful colleague called Chuck Babcock, that a big Washington lobbyist named Gerald Cassidy, who I had known something about, had filed an S-1 at the securities and exchange commission, which is the document you have to file to take a company public, and Cassidy, characteristically, had had the brash
idea of becoming the first lobbying firm to sell shares to the public.

[1:05] And he filed this S-1, which is actually quite a remarkable document, still available online, at the FCC, eh... and the purpose of an S-1 is to explain to potential investors, why would you want to own shares in this company. And you therefore have to show how it makes money, why it has a future, and so on. And Cassidy did a remarkably honest and full job. I actually think that they, they gave away some of their companies secrets about how they operated and did business, but it’s a very fulsome document, so I, you know, for a reporter it was a kind of thing you would say eureka, here’s the map to the kingdom.

[1:43] It wasn’t that, but it was a hell of a good way to start. Eh, I had known about Cassidy as an editor at the Post, in the eighties, I had been responsible for the coverage of national news, and I’d assigned a wonderful friend and colleague, called Dan Morgan to spend one whole congress writing about the appropriations process. And Morgan had discovered eh, the Cassidy secret, which was earmarks. Cassidy himself was an early inventor
of earmarks, as we’ve come to know them, and was making a fortune winning earmarks, not for fat cats, not for big corporations, but for hospitals, colleges and universities.

[02:21] Eh, it was a great business and very shrewd and very lucrative, and Dan exposed it, he showed how it worked, we had two big front page stories in the Post, wonderful stories that I quote from extensively in my book. And we laugh today still about the fact that when these stories were published, we had lunch, and I said, ‘You know Dan, we rarely know what the impact of our journalism is, but this time we can be pretty confident, we’ve put this guy out of business, you’ve exposed his schemes, and he won’t be able to survive this.’

[02:56] Well, of course it was just a free advertisement for him, business doubled and, went off through the roof, but it was a real introduction to that world. But I knew from that experience that this was a serious, interesting and resourceful figure – I always had an idea, if I was going to write a book about this, and my book is about more than lobbying you know, it’s about what happened to politics in Washington, and how money poisoned everything,
lobbying is the central key part of it, but it’s not the only by any means.

[03:28] But I knew that I needed a symbolic lobbyist as a storytelling device, just as you need somebody to make a film, a writer to make a book needs a central figure, and a dramatic turn, and so on. So that’s – I was thrilled when I realized that Cassidy might fill that roll. So I went to see him and I said, you know ‘Bad luck, I’m going to spend a couple years writing about lobbying, and you’re going to be my central figure.’ ‘Why are you picking on me?’ he said. ‘Well, because you filed this wonderful roadmap for me in that S-1 document. I can’t resist.’

[04:02] And he was actually pretty good natured about it… he was stuck, you know, he couldn’t stop me, after a while, he finally decided to cooperate which was very helpful, but uh, it was a – it was a great discovery.

ALEX: Why do you think broadly speaking, money has come to be such a powerful force of influence in Washington?

KAISER: You know I think it’s pretty simple. The cost of campaigns, went through the roof in the
modern era in the last thirty five years, in an absolutely emphatic way and the average cost of a winning senate campaign in nineteen seventy-four, and I hope I have this right, was four hundred and thirty five thousand dollars.

That is to say the candidates who won a seat in the senate spent, on average, that much money in nineteen seventy-four. In today’s dollars that would be about a million one, a million two. The average victorious senate campaign in November two thousand eight, was something more than ten million dollars. It’s just a staggering increase, and many of them cost twenty million dollars – and not just in California and New York;

in Minnesota Al Franken and Senator Coleman spent together sixty million dollars or more; eh, these things are really staggeringly expensive, and the trouble is the new technology of politics, which is what costs the money; commercials on television, polls and focus groups to design the commercials for television, are just very expensive, and it works you know, it really works, so no serious candidate or incumbent can say, ‘No I’m not going
to do that,’ or, ‘that’s beneath me, I’m not going
to put myself into thirty second spots.’

[05:43] They all do it. And when they do it they have to
have a lot of money. So they go out begging for
money – one of the dirty little secrets in
Washington today is how much time members of the
house and senate spend every week, not only in the
election season, but all the time, year round, on
the telephone, asking people for money.

[06:05] Uh, it’s begging for money, it’s a sad spectacle,
and it’s a constant fixation in their lives, and
many of them spend a day, two days, two and a half
days a week on the telephone asking for money.

ALEX: But how does that uh – and are lobbyists
particularly – peculiarly able to supply money?

KAISER: Ah, yes, not uniquely certainly, but
they are very well positioned to do so. And they do
it in a lot of different ways.

[06:30] First of all they do it personally, eh, in my book
I’ve got the details of Cassidy and his wife’s
personal contributions – hundreds of thousands of
dollars over the years. But that’s the least of it,
the bundle. The bundler is the person who goes out
and asks twenty friends to each give a thousand
dollars and then make sure that the candidate knows that, thanks to my efforts, here’s a twenty thousand dollar contribution. That’s a very effective one.

[06:59] A lot of lobbyists volunteer to help eh, candidates, and help members raise money, and run their campaigns. Cassidy for example, volunteered for Tom Harkin to be a big fundraiser for Tom Harkin, when Harkin ran for president briefly in nineteen ninety two. Eh, and raised a lot of money for him. And, perhaps most important, the lobbyists goes to the client, and says, ‘You, Corporation X, eh, need to do – create a PAC, political action committee, you need to raise money from your own people, and give it to these key members that are going to help us get what you want, or stop what you want stopped, or whatever it is.’

[07:39] Eh, so wh – it’s impossible to really calculate exactly what percentage of the political contributions eh, that are made are somehow affected by lobbyists, but I know it’s more than a third – it could easily be two thirds, uh, in many races of the total.
ALEX: And so... how are we to... the, until, let me put it a different way. Um, how does... Jack Abramoff fit in your book, is he a bad apple, or is he evidence of a rotten barrel.

KAISER: A little of both, um, it was fun – I was reporting on this stuff when the Abramoff scandal, you know, bloomed and, eh, so I was talking to lobbyists all the time, they all found comfort in the thought that Jack was so brazen, had such chutzpa, got away with such a con game with those Indian tribes, that of course he was just a bad apple, he was over the top, he was the outlying example of the most extreme kind of behavior, but, as I write, in fact if you look at what his tactics were, what he did, eh...

they’re very common; he bought a restaurant, my guy Cassidy bought a restaurant, lots of these guys (chuckling) own restaurants, he bought SkyBoxes in the stadiums, in the arenas around here, all the lobbyists did that until the gift ban came in, which made that impossible, eh, et cetera et cetera. Jack was not off the charts except in the nerve he had, and in his willingness to con his clients. Uh, he just took these Indian tribes to
the cleaners. Eh, most Washington lobbyists would lack the nerve, or the gall, to try to do that, I suspect.

[09:34] But, a lot of lobbying is a con game for sure, and uh, you know, I-I-I-I think Abramoff was wonderful fun for us that wrote about this stuff, because he was so off the charts, because he was so brazen, and so colorful, but the idea that he’s totally untypical or unrepresentative, no, that’s not true, he just was a little bit father off, off the chart than most.

[10:01] ALEX: How did lobbyists work with members? I mean, Jack it seems, almost used Tom DeLay as a kind of marketing mechanism, um, but um, how does the influence work, either with members or with staffers?

KAISER: You know there’s no one answer to that question, which is part of the richness of that tale, the eh, the simple you know, most simple relationship is one that congressmen Murtha is now [10:30] in trouble for, it is the former senior aide to an important member who goes off and sets up a lobbying shop, and then really trades on his connection with the member, and there are a lot of
those, there are more than twenty lobbyists set up shop or joined other organization – lobbying groups, who had been DeLay aides, in the period that DeLay was the majority leader of the house, for example, twenty four I think is the number, [10:57] uh... this PMA group that just closed its doors in Washington, that had a great influence on defense appropriation bills that passed through Murtha’s committee, that was run by a guy called Paul Magliocchetti who was a long time close aide to uh, Murtha. Cassidy hired years ago, Henry Juney, the best friend and closest aide to senior Senator Dan Inouye, who never had to do any lobbying, he just brought in customers, he was a rainmaker, Henry, because big companies assumed, ‘Well if Henry Juney works there, they’ve obviously got a [11:32] pipeline into Inouye, so we’ll hire them.’ Eh, that sort of thing, so the interesting – one interesting answer to your question is, that a lot of these lobbyists don’t have that many if any, close personal relationships with members, they build alliances this is, one of the keys to Washington is how everybody in the game in this
town knows the rules, and plays the game, eh, what’s a Washington ‘friendship’ is a question that’s intrigued me forever, an actually, I talked to Inouye about his relations with Cassidy, which were enriched by the fact that Cassidy made his friend Inouye a wealthy, happy guy at the end of his career, eh, and Cassidy always refers to Inouye as ‘my friend’, but I said to Inouye, ‘Is Cassidy your friend?’ ‘Oh, we’ve worked together for years, we’ve done a lot of things…’ ‘But is he your friend?’ ‘Well, you know, we get along fine.’ ‘But is he your friend?’ He would never say yes.

[12:30] It was really intriguing to me, and… certainly true in the sense that you and I have friends, these aren’t real friendships, they are real Washington relationships. And, and you know I don’t think Jack Abramoff and Tom DeLay were friends at all. But they had a very well greased functioning business relationship that was good for both of them. Eh, and that’s very typical really, of what goes on, so –

[12:55] ALEX: How did their business relationship work?
KAISER: Well we don’t know the whole story of course, this is one of the frustrations – DeLay has never been indicted and we’ve never learned the fruits of the very extensive investigations that’ve gone on now for years, ah, into DeLay’s – what was DeLay getting, we know what Jack was getting, in terms of the favors he won for his clients, eh, and you know, we know about the alliance that was the political alliance, but, and certainly there was money raised for DeLay, and for the people that DeLay was trying to help, but uh, the full extent of it remains unclear.

ALEX: The um… when you were, I mean… yeah yeah, go for it.

KAISER: Thanks.

ALEX: There’s a definition here that we should probably try to get, that you may be uniquely able to supply – in the most basic terms, what is an earmark?

KAISER: I define an earmark in this book, as an appropriation of federal funds for a purpose that was never requested in any of the obvious ways that the government usually initiates activities. That is to say, the classic earmark of the modern
era, is proposed by the president of a university who wants to build a new laboratory, the mayor of a city who wants some money to build a new bridge, uh, the governor of a state who wants a bridge to nowhere, you know, whatever it is, comes to the member of congress, usually the hometown senator or congressman, and says, ‘Can you help me win an appropriation to accomplish this particular objective. No government agency has ever embraced the objective or recommended it, it’s not part of the President’s program, it’s often not part of any congressional committee’s program, the way it’s evolved over the years. Uh, it’s a transaction to take money out of the public treasury and, and allocate it for a specific identified purpose, for the pol – most often, for the political benefit of a member, or more than one member, of the house or senate. So, eh, it’s the – it’s the fact that it, absent the request of a member, of congress, absent the effort, by the supporters of the earmark to generate support for the idea. No one would ever have even dreamed of this thing, and it never woulda happened. The first earmark of this kind, that I write about in the book, was
Cassidy’s first client, Tufts University, Jean Mayer of Tufts – he had this idea to build a research center on nutrition and aging. Mayer was a nutritionist himself, he said, ‘This would be a great – there is no such institution, it would be a great thing.’

[16:02] Eh, and he persuaded Cassidy to look for a way to do this legislatively, and he had an offer from his local congressman in Massachusetts, a fellow called Tip O’Neill, to help him with hit. And, O’Neill assigned his staff to work on this, uh, O’Neill was then the majority leader of the house, this was in the late seventies, and they got twenty-six million dollars for Tufts, to build this center, which exists, it’s in downtown Boston, which is apparently a very good institution, eh, but if Jean Mayer didn’t have the idea, it never woulda happened.

[16:36] So that’s the classic earmark, to me.

ALEX: Would you ever discover, you know, my brother in law’s the CEO of a bank, and he talks all the time about how members often come to him um, and they say… basically, you know, ‘Do you want a seat at the table?’
Um, and, uh... you know, the meaning of that is, pay up. I mean is that a... is that extortion at any level - I mean, how does that work?

KAISER: You know, (chuckles) is it bribery, is it extortion, eh... these are really interesting terms, because obviously these are crimes on one level, but they are really sins on another, and they are sins in, and like most sins, that exist in the eye of the beholder. So I mean... I do think that the lobbyists get a bum rap often, in the implied or sometimes explicit accusations that they are bribing members of congress, when, as any lobbyist will tell you, and many told me, ‘Do you think I’d call up and volunteer?’ Say, ‘I’m eager to give you money, where can I send it?’ Of course not. I’m responding always to the kind of thing your brother responds to, direct or an indirect request from a member of congress for money. The most obvious of this is the big campaign fundraising dinners, there was just one in Washington a couple weeks ago, for the Republicans, a week ago. Eh, where the big names in the parties send out a fancy invitation saying, ‘Gee, sure hope you can come to our annual dinner, it’s a great
deal, only two thousand dollars a place,’ or whatever it is, that’s usually the price now I think, and, you know, anybody who receives that, any banker, any lobbyist, any kind... of interested player in Washington, before rejecting the suggestion that he or she attend that dinner, has to think you know, ‘What’ll it cost me to so say no, what benefit might accrue if I say yes?’ And you know, there aren’t many empty seats at those dinners, they sell the tickets. So, I think it is extortion personally, because it implies things, often that aren’t the case, you know, it implies a

[19:01] ... that the CEO at the table as you put it, is going to produce specific results in specific circumstances, which it often does not. I mean, it too is a con game in a sense, that, but - there’s a great incentive to accept - to succumb, I should say, to the extortion, because it’s easy to do so relatively speaking, especially if you’re representing a wealthy corporate interest, a bank, whatever it is, eh... and you want to participate

[19:28] yourself, if you’re a lobbyist or the Washington vice president of one of these big companies, you want to participate in the illusion that you’re
extremely well plugged in in Washington, and everybody knows your name, et cetera et cetera, you know, and these donations, you know, make that possible. So it... I do think it’s a great mutual back scratching society, it does become corrupt, Congressman Ney is a good example, Congressman Cunningham is another, but eh, most often, it’s

[19:57] just smarmy... and, and really discouraging, and you know, there’s that wonderful Russell Long quote, it’s from the early nineteen seventies - Huey Long’s son, Russell Long, a terrific, brilliant senator, and a, and a bit of a sleaze ball himself, said in a debate on the floor, ‘What’s the difference between a campaign contribution and a bribe? It’s only a fine hairline’s difference,’ he said. And of course that’s right, I mean, you think about it, these guys who - sitting on their telephones, week after week, a day or two a week, [20:31] calling up people and asking them for money, I mean, what’s the guy on the other end of the phone, the guy who’s receiving that phone call, I mean, what does he think? ‘Senator Jones is on the phone, asking me for two thousand dollars, if I give it to him, surely he will be in my debt, surely the next
time I need him on the phone he will answer the phone,’ and, often that’s the case of course, this is... access is the main element of the game. Access means that when the boss comes to town, and wants to see the senator, because of whatever combination of personal relationships, money given, et cetera, you can call up the senator’s office and say ‘The boss is coming to town, can the senator give him fifteen minutes?’ ‘Oh sure, we can give him fifteen minutes.’ That’s the main part of the game.

ALEX: So something else, something that Tom DeLay famously said was that, ‘it’s not that there’s too much money in Washington as much as there’s not enough,’ and that you need to give as much as possible, and let the free market decide. Eh, money is speech after all. And you know, what’s wrong with that?

KAISER: Well, what’s wrong is, and I think we’re learning about this in the Obama administration right now - what’s wrong is that all the money over all these years has built bulwarks around the status quo, eh... we have in the United States by far the world’s least efficient medical care delivery system. We squandered billions and
billions of dollars on this system because of its inefficiencies, and when Obama comes along and tries to radically alter it, every beneficiary of the inefficiencies, which is to say virtually everybody in our medical system, says, ‘No no, you can’t change that, you can’t change that.’ And throws up every defense they can imagine, and come up with, to defend the way it’s always been done. I mean one of the theses of my book is, that we left unaddressed for thirty years a long list of really big and really obvious national problems — healthcare right at the top of the list — uh, how to fund social security for the baby boom and Medicare, how to catch up with the rest of the world in education, behind whom we have fallen, et cetera et cetera. But all these things are hard, they’re all expensive, and they all would involve defeating — altering — a status quo that is defended by one of these bulwarks, built with political money. Uh, I think that that’s really the heart of the issue.

So, in fact, as I’ve written and said many times now, lobbying is most effective when it’s objective is to stop a change. Creating a change going off in
a new direction, getting a new benefit for a beneficiary, that’s hard, but just holding the status quo in place, leaving things the way they are, that’s pretty easy, that’s why we have this ludicrous farm support program that we’ve had forever, where, you know, millionaire corporate farmers are collecting millions of dollars a year not to grow things, or in price supports, which they do not need, but that’s the status quo, and it’s just much harder to change than to leave it in place

ALEX: Speaking of medical care, what about the so-called Medicare modernization act? Is that – that’s the one where the prescription drug uh… where DeLay kept I think the congress open until four in the morning.

KAISER: Yeah, this is a classic story, described in my book, uh, th-th-the bill, it’s the prescription drug benefit under Medicare. Eh, it is incredibly extravagant, it’ll cost billions of dollars, there was no funding provision in the bill, that Hastert and DeLay passed, in the republican house in what, 1995, eh, 2005, it – were earlier, I’m sorry I’ve forgotten the date

KAISER: Thank you.

ALEX: Take it, there was no funding...

KAISER: There was no funding provided in the bill that they passed in 2003, they just committed [24:30] the government to billions of future expenditures without paying for them, ah, and the bill itself was literally written by the drug lobbyists. This was admitted by participants in the process. And it was pushed through the House of Representatives by speaker Hastert and Tom DeLay with the most ruthless arm-twisting, and as you mentioned they kept the roll-call vote, which is supposed to last for fifteen minutes, they kept it open for more like fifteen hours, I’ve forgotten how many.

[25:00] But, you know that—that’s a really good example and you, you know, you can’t under that law, the government can’t seek bids from drug manufacturers to have competitive pricing, which we have in the Veteran Administration’s hospitals already. You can’t import drugs from foreign countries, I mean the whole thing was written to please the drug companies, and it did please them a lot. And it was not a clean piece of work.
ALEX: W-well as I recall too one of the most catch-22 like elements of - well, maybe it’s not catch-22 but it’s just bizarre – was that, it was actually passed as a reward for insurance companies to purchase drugs, in a way that was more inefficient and costly than otherwise, they’d get more money ...

KAISER: I don’t know that detail, I don’t doubt it but I don’t know it.

ALEX: Um. The um, now, in that case though, it’s in your book, did a number of members of congress receive benefits from PhRMA?

KAISER: Well, I don’t have the numbers in my head, but PhRMA been a huge contributor for many years, they’ve played the game in every way – through lobbyists, through political contributions and so on, eh so yes, surely there were benefits. But, you know, as always happens in the juiciest of these situations, eh... that’s nothing compared to the benefit that you’re grandparents and mine received by getting prescription drug coverage from the government without having to pay much for it. Em, and so, the benefit - and so politically you sell the benefit to the public, you don’t sell the
benefit to yourself, it’s kind of incidental by the by, and that’s of course often what happens.

ALEX: Um, the... one of the things, in terms of the uh... in terms of Jack, I think there’s a famous quote about what Jack said to one of his pals, or something, but Abramoff, who was known for a while by the reporting in the Wall Street Journal, and the article in the Journal touting him a great lobbyist, that he then said, I don’t know, tell me what was the quote.

KAISER: This is a quote that he... he said widely after he got into trouble, and was chagrined about having been embarrassed in the way he was, by being caught out, he told lots of his pals, ‘I participated in a system of legalized bribery.’

[27:30] That’s what it was. And I - I was very struck when I heard that, and I sort of shopped that quote around, ‘Was that too strong, or was that accurate?’ And one of the most interesting people I asked about it was our new CIA director, Leon Panetta, who was then just an academic from California, retired from congress and from the Clinton White House, and I said, ‘Leon, this is what Abramoff is telling his pals, is that the
‘Legalized bribery is absolutely what it is, has been for years,’ said Leon Panetta, who was a very distinguished leader of the house for years.

And you know, they all know it, in someway, but you know, you take comfort from the legalized part, because so far, it is legal, it seems legal, but it is certainly a form of bribery too, no question about it.

ALEX: Talk a little bit about the um, um... this famous loophole, the uh, the uh...

KAISER: The hedge fund loophole, yeah.

ALEX: The hedge fund loophole, and how lobbying fits into that, or at least campaign financing fits into that.

KAISER: The financiers call this ‘carried interest’, ah, it’s a theory that some kinds of money earned by individuals actually isn’t salary but capital gain. We think of capital gain as what you get if you buy a stock at ten dollars a share and sell it at twenty, the difference is a capital gain. But the hedge fund operators uh, got legal opinion some time ago, tax court opinion I guess, that allowed them to interpret their fees which are paid, in an unconventional way often, but they
amount to the share in the success of the hedge fund that the hedge fund operator is allowed to retain, it looks and smells and talks like salary to me, but the hedge fund guys said, ‘No no, this is a capital gain, it should be taxed as a capital gain,’ which now means that the maximum taxation is what, fifteen percent? While the max taxation on income is thirty nine percent, so it’s a very handsome and significant difference. When the democrats retained control of the congress, beginning in 2007, Charlie Rangel, the Harlem democrat who had just become the chairman of the ways and means committee, which is the tax writing [29:58] committee, proposed closing this loophole, as he called it, and taxing hedge fund operators income as income. Radical notion. (laughs) And it passed the house, twice, eh… there was opposition from the hedge funds, but they couldn’t muster a majority, and they got through twice. But in the senate, the hedge funds had a pal in Charles Schumer of New York the senator from Wall Street, as he was known for many years.

[30:30] And Schumer set out to bury this idea, ah… and this remarkable numbers, which you can find and
use, from the committee – the center for responsible politics, for how contributions and lobbying expenditures by the hedge fund industry shot up just at this moment, they began contributing much more money than they had previously to campaigns, and hired many more lobbyists than they had previously, and with their help, eh, Schumer just buried the idea. It never came up for a vote in a committee or on the floor of the senate, it just disappeared. Which again, is kind of, Kaiser’s law, much easier to stop something than to start it. And there’s no fingerprints, no dead body, nobody can tell you today, in the senate, what happened to that idea? It just never came up, it disappeared. And that is what... the great story, it’s up again, it’s come back... we’ll see if they can do it again – I think they’re weakened, obviously, after the financial catastrophe but they’re going to try to block it again.

ALEX: I think Schumer’s responsible, somebody, somebody’s pushing some member of the press (mic rustling) I was just responding to the desires...
KAISER: Responding to the desires of my constituents, yes of course. (laughs)

ALEX: So who are his constituents then?

KAISER: The senators from Wall Street, they’re Wall Street bankers and brokers, that’s ... you know, Schumer in that period was the chairmen of the Senate Democratic Campaign Committee. Which, you gotta give the guy credit, he turned this into an absolute money machine; he raised a hundred million dollars - just a huge quantity of money. And he helped certainly, significantly, the democrats regain control of the senate, by helping a lot of the candidates spend a lot of money on those TV commercials. So, eh, Schumer had established [32:04] elaborate and extensive relationships with the financial community, who gave a lot a lot of money to the senate democratic campaign committee, and certainly burying that taxation idea was one of their rewards for having given so generously.

ALEX: So Abramoff’s in prison, Ney was in prison, the bad apples have been carted off, its all well? We’ve had reforms, you can’t buy skyboxes [33:00] anymore, has the system of money influence disappeared?
KAISER: Eh, no, but – it has changed, and I think the changes in a way are heartening in the following sense: you can pass a gift ban, it turns out, which really prevents the wholesale giving of favors, lunches dinners, skybox seats, golf tournaments, all the things that DeLay did that you know about, you can cut that off. And, it stops. It—it’s not easy if you draft the thing the right way, you make it carefully explicit, you can stop bad behavior. I think this is a lesson that reoccurs in American history; you can’t legislate morality, but you can legislate the conditions in which a higher morality has a chance to flourish. And that’s really what this is about, and so I do think that an aggressive approach on the campaign finance front which would probably have to involve some public financing of campaigns in the future, could really change the system. And would really, you know in a weird way be really very welcomed by all the best members of congress, who don’t like this system at all. But, you know, in the environment we’re in now, can we really get a congress of the United States to appropriate tax payer dollars to pay for the campaigns of
politicians, which is what public funding would mean, I don’t think so. I think we have to wait for a different atmosphere than the one we’ve got. I-I actually thought for years that the whole system would be altered and could be altered only when we had a big smelly scandal. And my reaction to the Abramoff scandal for a long time was, this is it, it finally happened. But interestingly, and I discovered this really writing my book, the culture that Jack typified and contributed to, and became so powerful in this town over the last two generations, eh, is just too entrenched to be blown away by one big Jack Abramoff scandal. But it did change the game, it changed the rules, and left however the biggest problem which is, these evermore expensive campaigns, and evermore is the key point. Every two years, the number goes up. The average cost of a winning campaign in 2010 will be greater than it was in 2008, and less than it will be in 2012, we can predict that with great confidence right now. And until that’s somehow broken, and you can do it in a lot of different ways; you can control the money in, you can control
the money out, you can require television stations - broadcast television stations to give free time to politicians, et cetera et cetera. And it could be made different, but so far, it’s not different at all. And Barack Obama, hero of the reformers, got himself elected president in part by spending eight hundred million dollars. A lot of dough.

ALEX: So, the, what are we to think, we’ve recently gone through, a kind of financial cataclysm, uh, to what extent that regulations either pulled away, or were administered, improperly administered, um, were a result of um, financial interests using their money in clever ways in political circles.

KAISER: This is to me the definitive example of the impossibility of separating out causes and effects in these situations. Why? Because we certainly could spend the rest of the afternoon talking about instances in which somebody stepped forward, like Charlie Rangel with this idea for taxing the income of hedge fund operators, with the reform idea ah, that made a lot of sense. You know about Brooksley Born, the chairman of the Valuated
Futures Trading Commission, who made a serious attempt in the Clinton years, to regulate derivatives. Eh, and, had a really good idea, we now see very clearly, and it was beaten back. Certainly, the moneyed interests rose up to oppose her proposal, but so did Robert Rubin and Larry Summers, Bill Clinton’s most important economic advisers, and I don’t think it was for any corrupt reason, I think they really believed that derivatives were a fabulous financial tool, they should not be discouraged by financial regulation, a lot of economists believed that. And the real problem of course, from 1985 until 2007 was how wonderfully everything went. You know, we had a stock market crash in ’87, bounced right back, we had the high tech bubble in 2000, bounced right back, things were going very well – Alan Greenspan, the king of deregulation, or no regulation, could stand up and say, you know, I’m the maestro it works, everything’s going great, why would you want to change this? So, in other words, the money guys eh, of Wall Street and the derivatives dealers and all of these characters eh, were happily blessed by the good news that we all welcomed and benefited
from, all Americans felt richer and richer, the value of their houses went up and up for example, so why would we rock this boat again, remind me? What are you complaining about, and it’s only after this huge, huge cataclysmic disaster that people on the ground say, ‘Ooh, wasn’t that Brooksley Born smart, she has a really good idea.’ She’s given some interesting interviews about how her status has changed, uh, Alan Greenspan’s status has changed, nobody’s going to call him the maestro ever again, eh, but you know, it’s too late, it happened, and thousands of people are going to suffer egregiously because of it. So, I, you know, there’s no question, that since the seventies, since the Carter administration, there’s been a … popular intellectual fashion and a practical wave of enthusiasm for deregulation, and certainly the deregulation of the financial markets combined with the incredible inventiveness and creativity of eh, the wizards who use computers who come up with whole new ways to you know, try to make money, they are big players in the creation of this disaster. But for the longest time it didn’t feel like a disaster at all, it felt fabulous. So, you know,
was it nefarious? Probably not. But was it a very good example of how those who have preserve and those don’t are left out? Yes, and that’s the theme of modern American history to me; we have lived, I have lived through an era in which the wealthier classes in America have figured out exactly how to protect their wealth and their status, and their incomes have risen steadily for the last forty years. And the real incomes of working Americans stopped growing effectively in nineteen seventy-three. That’s a long time ago. And you know, this is all part of that big picture, but can you blame that on a particular lobbyist, or a particular Washington situation? No, it’s the culture we’ve lived in; the culture we’ve created.

ALEX: Well let’s talk about that culture for a second, I mean is there a, in this notion, that even Mr. Rubin and Mr. Summers for ways that he may only be dimly aware in terms of their own psychological makeup, you know, that everybody in this country to some extent, particularly when things are good, internalize a fundamental idea, you know, popularized by Ronald Reagan, you know, the government is not the solution it’s the
problem, and the flip of that is well, let the market work its magic, in other words, if money – the money will go where the money will go, and that’s the best possible thing because then whoever spends the most will win.

KAISER: No question about it, the biggest intellectual con, I think, and I’m working on these subjects for my next project, eh, was the idea that you were, that the market will work its miracles, that the market is a natural force for good, that the natural condition of the free market is to achieve a mutually beneficial equilibrium for everybody. Eh, this is just nonsense, it’s historical nonsense. Absolutely disproven every twenty years by some brainy economist who writes a book and says, ‘Hey, this is crazy, and it’s not true.’ Eh, the markets are subject to animal enthusiasms is one recent book

puts it. There’s always going to be bubbles, there’s always going to be craziness when things get too good, uh, you know, this is, for our society, nicely summarized by the fact that for the last ten years or so, we have systematically, we Americans, been spending about five percent more
dollars than we’ve been earning. How did we do that? With the housing bubble. Everybody who took out a home equity loan, and took cash out of the equity in their house, and spent it in a new car, or a vacation, or a beach house, eh, they played it in this game. And you know, the idea – you know, a lot of smart people sit up and go, ‘No, you can’t do that, you can’t systematically spend more than you’re earning for a prolonged period of time and get away with it. It won’t work.’ ‘What do you mean it won’t work, it’s working fine, everything’s great, stop complaining.’ Well, here we are. It’s a – we’re great – we delude ourselves, we believe our own propaganda about ourselves, it’s the great American way.

[43:37] ALEX: It is, but the – particularly in the political thing, isn’t there a problem when, you have a democracy that’s supposed to be all sorts of different voices, after all, that’s what the lobbyists always say, ‘Look, this is just voices coming together, and everybody you know, the best argument will win,’ but when campaigns – we’re almost done – when the campaigns are so expensive, (laughs)…
KAISER: It’s eh...

ALEX: And is there, is there a serious problem with a democracy when so much money is needed to run it.

KAISER: You know I... in a way this is the story of my book, in 1978, June, the voters of California passed proposition 13. At that moment, this is the tax reduction ballot initiative that reduced everybody’s taxes in California and froze the assessed value of real estate so that even today, some people who haven’t moved since then, their houses are assessed at what they were assessed at in June of 1978. At that moment California had the best schools in America, the most vibrant and strongest state university system, wonderful public services, wonderful highways and whatnot. Eh, today, California after what, thirty-one years, ranks near the bottom in public services, in schools, in universities; nothing is great in California anymore. And they are about to have an absolutely catastrophic state budget crisis of their own, and it is because of the fact, as you said, that the propagandistic view that the government was somehow the enemy, and had to be
starved, which was kind of the essence of the Reagan approach, I think, which really began with that vote in California in 1978, you know, that became the national fashion, that became everybody’s credo… and it was just nutty, it was just loony. And you know, it’s completely flipped, I don’t think the country’s taken in to the degree to which in the first six months of the Obama administration, all the assumptions about which things have turned upside down, but they have, and the Republicans today are quite lost, because they don’t know, you know, what to be for, and how to be for it. But you know, I think eh, you know, we lived through this period of a huge expansion of personal wealth in the United States, a huge expansion of the role of money in our politics, and a huge expansion of the lobbying industry in Washington exploiting the role of money in our politics. Eh, and it’s now deeply entrenched and it’s going to be hard to get rid of.

ALEX: And is that, is that problematic for a democracy?

KAISER: Yes it is, and you know, but, there are lost of aspects of American democracy that are
problematic to me; look at these polls where you ask people, ‘what is the supreme court?’ or, you know, ‘what is the term of a senator?’ or, ‘how is a law passed in congress?’ Civics, a knowledge of basic facts about government, is at a historic low in this country, high schools in this country do not teach civics anymore. We have a really ignorant population about the most basic facts of government, and we have the huge crisis in the news business, which is quickly going to produce a situation in which most of the state governments of the United States will not be covered by serious reporters who know anything about what they’re doing. We gotta lot of glitches right now, and the democratic theory can’t work when you have all these glitches, it just won’t work.

ALEX: Last question, then I’ll let you go.
What’s the largest lesson for us to learn from the Jack Abramoff story.

KAISER: It’s pretty hard to pick one...

ALEX: Well, pick a couple if you want.

KAISER: When did Jack start to be a lobbyist, do you remember?

ALEX: Ninety-four.
KAISER: Yeah. Jack Abramoff joined the lobbying parade pretty late. It really began in the 70’s, it got to be a big business in the 80’s, and it grew and grew and grew. And there were many aspects of it that were unpleasant, uh... to contemplate, and embarrassing if you really knew what was going on, and we didn’t really know what was going on. Jack performed an enormous public service in my view, by going a little bit crazy, going over the top, and getting caught, and allowing us all then, suddenly and dramatically, to look hard at what had happened in this very gradual, long term process over decades. Eh, so when the Abramoff scandal erupts in 2004, we have a spectacle before us that is undeniable, you can’t run away from it there it is, it really happened, and guys start pleading guilty, and as a result you know that this is a serious business, eh, and then finally we get to say ‘Ooh, what happened here?’ So I, I feel very much personally a beneficiary of the Abramoff scandal, because it helped me think about, report, write, and make a book about precisely this about this culture, where it came from, and what it did to us, which I’m proud of, and you
know, and I think that your film, and lots of 
things have happened or will happen that will help 
Americans look themselves honestly in the mirror 
and say, ‘this is what we are now, this is what we 
do now.’ Which, you know, we love to avoid that, we 
love not to face up to these things.

[49:38] The great American pastime, I argue, in my book, 
has never been baseball, it has always been making 
money. And Jack Abramoff was a wonderful exponent, 
proponent, of the great American pastime in his 
peculiar way, that he came up with, eh but you

[49:57] know, we have them everywhere, they’re everywhere, 
it’s part of the American culture, we all saw it in 
the early 19th century, it hasn’t changed since 
then, eh, and we all hope you know, that we’ll be 
the one to strike it rich next month, you know, and 
it’s what we do. And I think that gives, 
interestingly, the wealthy interest in our society, 
a huge leg up, because every time some politician 
comes on and says, ‘Now wait a minute, the rich are 
getting away with murder, lets, lets take it back 
from them.’ A lot of ordinary people say, ‘No no, 
don’t take it back from them, cause next year I’m
going to be rich, and I want that to be there when I arrive.’

[50:30] That’s a big part of the American delusion.

ALEX: Yeah well, just to follow up quickly, about something you said, which is, just a follow up now, you said, now, you know, Jack has forced us all to look in the mirror and see what we see. So when we look in the mirror, what do we see?

KAISER: I’m not good at simplified answers, I mean, what we have as we’ve been discussing...

ALEX: I mean, you just said... I don’t need a one word answer, I’m just saying, you said Jack was wonderful because he forced us all to look in the mirror and evaluate who we are.

KAISER: Ok, so who we are is, a people who have gone along with the development of a political culture in Washington and the country, which is extremely favorable to the better off and wealthier interests in this society, eh, which has put an end to progress on many fronts, in areas like education and healthcare. Eh, and which has left us with lots of unaddressed, enormous national problems. Eh, but we have this gridlocked stymied political system because of the role of interests and money,
eh, that that doesn’t confront those problems. We are not, therefore, the vibrant democratic problem solving pragmatic country we like to think of ourselves as. But rather we are quite constricted, and quite unable often to do the sensible, because the sensible thing is you know, is out of reach, it’s too much to do. We’re seeing that now in the debate about eh, how to re-regulate American capitalism. One of the nuttiest things we have going in this country is the alphabet soup that oversee banks, stock exchanges, and so on.

Dervitives, these poisonous, or potentially poisonous new financial instruments for example, are regulated poorly by two organizations; something called the Commodity Futures Trading Commission, and something called the Securities and Exchange Commission. And their jurisdiction is overlapping, the only reason there are two different institutions is that the commodity futures business arose initially as an agricultural business, it was farmers selling future contracts to deliver corn and wheat, but it has grown into this huge derivatives business, but now in
Congress, uh, the oversight of those two bodies is provided by two different committees, the agriculture committee presides over the Commodity Futures Trading Commission, and members of the agriculture committee can raise a lot of money from financiers, who want to have friends and have friendly regulators, in the CFTC. And they get them. So when, confronted with this opportunity to reorganize and rationalize financial regulation… ask any professor who studies these things, any lawyer who practices law in this realm, what would be the most obvious first thing to do. ‘Oh, merge the SEC and CFTC.’ There’s no reason to have two different organizations, eh, and yet we’re going to have, next week in Washington, we’re going to have the proposals, and that’s not going to be one of them, because all the participants in congress and now in the administration say, ‘Why bother, it’s too politically difficult, we can achieve this comparable goal by other measures, we will not try to abolish either of those institutions or combine them, we’ll let them be.’ Well, that’s just a classic example, you know, the bulwarks have been built, the defenses are strong, nobody often wants
to really change a lot of these things, and therefore they don’t change.


KAISER: This was fun.

[END BOB KAISER]