



GOD, DODD AND REFORM

Sunday, March 21, 2010

Every week CUIP's president Jacqueline Salit and strategist/philosopher Fred Newman watch the political talk shows and discuss them. Here are excerpts from their dialogues compiled on Sunday, March 21, 2010 after watching selections from "The Charlie Rose Show," "PBS NewsHour" and "This Week with George Stephanopoulos."

Salit: Healthcare, insurance companies, Wall Street

Newman: Do you know what I was thankful for?

Salit: What?

Newman: That God gave us only 26 letters in the alphabet.

Salit: There's a lot of wordage out there, certainly, and it's all about regulatory reform. But there's no talk about why it is that we have so many things that need to be regulated.

Newman: There is a reason.

Salit: And it is?

Newman: The best thing I've ever read on this was by Robert Reich, the economist, who pointed out that we have an entirely legalistic lawyer-controlled political culture where no sooner do they pass a law to regulate something, than every company's board of directors races out of the room, hires a team of lawyers, and comes up with a way to get around those regulations. It takes them about 10 minutes. That's the world we're living in. Where business gets reined in for some kind of unscrupulous practice, and in short order they have a counter to it.

Salit: We sure saw that in Senator Chris Dodd's presentation this week about the Senate Banking Committee's proposed financial regulatory reform. It's so interesting. The whole push was that we have to have some kind of independent body that's going to protect consumers from manipulative and usurious lending practices by the banks. But that falls by the wayside

Newman: In about a second

Salit: In a second, exactly.

Newman: Actually, here's what happens. The reformers bring in their proposal. Then everyone in the room laughs hysterically. And they don't even bother to take a vote. *Let's move on now.*

Salit: Let's move on to which branch of the government, which bureaucracy, which interest group is going to get control of this thing because it is all about who's going to control the oversight. They want to make sure the ~~the~~ overseeing ~~doesn't~~ get out of hand.

Newman: And they have a clerk who keeps a list of who got the last oversight control.

Salit: So they know whose turn it is.

Newman: Exactly.

Salit: Michael Lewis, who wrote ~~the~~ *The Big Short*, said in an interview with Charlie Rose ~~Wall Street provides a financial service. It's supposed to allocate capital. It's not supposed to destroy wealth or misallocate capital. But, in this situation, they destroyed wealth and they misallocated capital and they're still being paid huge amounts of money.~~

Newman: I agree with that only to this extent: I don't know why the formulation is ~~and they're still.~~ Why wouldn't they be ~~still?~~ That's exactly what they're paid to do.

Salit: He was saying that what they should be paid to do is to allocate capital properly.

Newman: I got you. But properly and improperly are virtually indistinguishable. That's the explanation of why they got huge bonuses even though they didn't do their job, according to Lewis. It's not as if they didn't allocate capital. They did. It's not like being a plumber, where if you don't get the toilet to flush, you don't get paid. The whole system as it exists is too big to regulate.

Salit: Never mind too big to fail.

Newman: Exactly. It's too big to regulate. It's just too big and too complex so that, no matter what happens, they get their bucks. And, the economy is still stumbling along.

Salit: Things are happening. Presumably the stimulus money is getting places and the banking system was stabilized and the job loss has been stemmed. It's not clear though what the relationship would be between that happening and a new kind of regulatory framework. Everybody's saying that we can't set up regulations that prevent some kind of disaster from happening.

Newman: That's the big lie.

Salit: Because?

Newman: In the most pragmatic sense of the word, they can set up such regulations. They have set them up. It's what we're doing now. This is the worst disaster since

Salit: the Great Depression

Newman: ð since the times of Cleopatra, or whatever era you might fill in there. And they are dealing with it. So what's the problem? It might be boring. It might be tedious. It might be incomprehensible. It might be all kinds of things. But that's how the system works. You have the same old people creating regulations which are, roughly speaking, if you look at the totality of them, equivalent to the regulations that existed last time.

Salit: Hence the Consumer Protection Agency is housed at the Federal Reserve.

Newman: Right, because now it's their turn.

Salit: So nothing new is happening up there, so to speak.

Newman: That's my view. It's ironic, isn't it? Because the left abstractions, the Marxist abstractions which amount to, *It's always the same under capitalism*, and to which people always respond by saying, *Oh, you cynics. It's more complex than that*, are actually accurate. It's not more complex. It is the same old, same old ð all the time. Apparently you just have to pay your dues and go through 10 cycles of this before you're allowed to say that.

Salit: What follows from that?

Newman: Look, from our vantage point, no one's going to go out and make a revolution in the traditional 19th century sense of that word. But if you have the circumstances, like in the last presidential election where an interesting, although probably unpredictable, conjuncture of things occurred . some highly unusual, explosive, upending things can happen. Some people saw that conjuncture and took advantage of that. That made it possible to elect an African American president. Forget what his views are. Just that he's African American is something of a revolution. But once that revolution is done, he goes to Washington to produce relatively modest changes, and the Republican Party has a sufficiently strong base . like half the country . so that it can muck things up.

What's the probability of some consecutive circumstances of the kind which allowed the masses of people to actually participate in something in a mildly radical way? Probability? Zero. What's the probability of one such conjuncture being sufficiently radical to produce changes large enough to, in turn, produce other changes? Don't know. That's what you're gambling on by investing in the independent political movement. That's what we're gambling on. Those are the odds of our bet. Well, I'm content with that. I'm still here. You're content with it. You're still here. Are we doing some good stuff along the way? Yes. And that's good, too, because the likelihood is that's what we'll, in fact, accomplish. Does that contribute to these other, larger shifts? Impossible to tell. Is it worth doing in its own right? Yes.

What does this all add up to? I'd say postmodernism is right. This is what it looks like. This is the very stuff we're trying to figure out a way to talk about because there is no obvious way to talk about it. What do you do with that? Some people turn to God. Some people become super nasty. But everything loses meaning. Then, what do you do with a meaningless world? I don't know. I like what we're doing in a meaningless world.

We're trying to do something worthwhile to help people who always get the short end of the stick. That seems like a worthwhile thing to do. And we're doing it well.

Salit: Have you seen this guy Francis Collins before? He's the well-known and respected scientist who Charlie Rose interviewed, the author of *The Language of God*, who writes about his belief in God. He says, basically, that science can't answer the question: *Why is there something instead of nothing?*

Newman: What's that supposed to mean?

Salit: It could mean that science hasn't answered that yet, but that's the argument for God.

Newman: And that's supposed to be profound?

Salit: I don't think it's supposed to be profound. It's supposed to be a trump card.

Newman: I don't know about that. How about pointing out that there is something and there is nothing. There's something when there's something and there's nothing when there's nothing. So the question, by any standard as far as I'm concerned, is profoundly ill-formed. Where did he go to school, this guy?

Salit: Yale.

Newman: Is that right?

Salit: Yes.

Newman: Well, it's a theological school.

Salit: Even if he didn't go to the Divinity School.

Newman: I assure you they're not asking that question at Stanford, nor at Harvard. The real question is: *Why are we taking a question effectively constructed by the Yale Divinity School as the least bit serious?*

Salit: I went to Sarah Lawrence so I can't answer that question.

Newman: I would say that you dropped out of Sarah Lawrence, so you have to!

Salit: Exactly. That's how I answered the question. I dropped out of Sarah Lawrence.

Newman: There you go. I think that's a good answer to that!

Salit: Thanks, Fred.