House Energy & Commerce Committee

Republicans

Joe Barton
Ranking Member

DAILY NEWS SUMMARY

Monday, November 24, 2008

Joe Barton

Print This Article

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North Texans clamoring for tickets to Obama’s big day

By ANNA M. TINSLEY
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Think it would be the chance of a lifetime to see President-elect Barack Obama sworn into office Jan. 20?

You are not alone.

Tens of thousands of North Texas are among those still swamping phone lines and e-mail accounts of congressional leaders, trying to get their hands on some of the coveted tickets for the inauguration.

"This is unprecedented," said Rep. Kenny Marchant, R-Coppell. "We went through this four years ago [with President George W. Bush’s inauguration], and we thought we had a lot of requests then. But this doesn’t even compare."

So many requests have landed in local lawmakers’ congressional offices that many legislators have yet to determine how to divvy up their small stash of tickets — for House members, 198, for Senate members, 393 — among those who have asked for them.

Many of the requests started coming in the morning of Nov. 5.

"We ran out of tickets for all practical purposes after the first couple of days," said Marchant, whose office has logged requests for more than 1,000 tickets. "It will be a historic day, and a lot of people want to take part in it. We’ll try to help as many as we can."

Marchant is not alone. Rep. Kay Granger’s office received about 300 individual requests, with many asking for multiple tickets. Reps. Michael Burgess and Joe Barton have each gotten around 2,000 requests; Rep. Chet Edwards has received about 1,200 requests; Sen. Kay Bailey Hutchison’s office has received "thousands" of requests; and Sen. John Cornyn’s office has logged around 30,000.

"It’s quite a high demand," said Brian Walsh, a Cornyn spokesman. "We are going to do the best we can."

Many of the offices will give out tickets on a first-come, first-served basis. But some are still deciding how to distribute the tickets, whether by random drawing or some other method. The inaugural committee gave members of Congress a total of 240,000 tickets to give out for the ceremony.

"Unfortunately, we won’t receive enough to meet the demand from our constituents," said Sean Brown, a Barton spokesman.

Some leaders are upset by reports that the free tickets to the inauguration — which have yet to even be released to members of Congress — may be sold on the Internet for thousands of dollars.

"Any Web site or ticket broker claiming that they have inaugural tickets is simply not telling the truth," said Howard Gantman, staff director for the Joint Congressional Committee on Inaugural Ceremonies. "Tickets for the swearing-in of the president-elect are all provided through members of Congress, and the president-elect and vice president-elect through the Presidential Inaugural Committee. We urge the public to view any offers of tickets with great skepticism."

Officials in Washington are estimating that between 3 million and 5 million people may be in the area for inaugural functions in January — an event so massive that the Fort Worth Police Department is even sending about 100 officers to help out with security.

The expected crowd is making last-minute hotel or airplane reservations difficult, if not impossible, to obtain, even as some homeowners are renting out their homes on Craigslist.

Many North Texans’ congressional offices say that even if residents can’t get tickets to the actual inauguration, there are other ways to participate in the historic day.

Large sections of the National Mall will be open where people can watch the ceremony on large video screens without a ticket.

After the swearing-in and the inaugural address, there is the inaugural parade down Pennsylvania Avenue, for which participants do not need tickets.

And there are a slew of inaugural balls that run from Jan. 15 to Jan. 24, including the Texas State Society’s Black Tie & Boots Inaugural Ball on Jan. 19, which has been exceptionally popular in recent years. In 2005, it drew more than 12,000 guests.

This year, organizers predict that the ball — with its Texas music, dancing and "revelry" — will be no less popular, referring to it as "the hottest ticket in town." Texas artists including Tracy Byrd, Jack Ingram, Asleep at the Wheel, Kelly Willis and Charlie Robison are among those expected to perform.

"There may not be a Texan in the White House next year, but that doesn’t stop Texans from throwing the best inaugural ball in town," said Ed Perez, chairman of the 2009 Black Tie & Boots Inaugural Ball.

Anyone who goes — for the inauguration, parade or just to be in the same city when the ceremony takes place — should be prepared. The weather traditionally is downright cold.

The average low temperature in Washington, D.C., on Jan. 20 is 27 degrees, with a high of 39, and a 69 percent chance of being freezing, according to Trip Planner Weather.

The average snow depth that day is 1 inch, and the average daily precipitation is 0.15 inch that day.

"If someone wants to come, I wish them all the luck," Marchant said.

"They can stand in the mall near the Lincoln Memorial. But people need to understand the warnings — it's cold and usually raining."

Inaugural day facts
Theme: *A New Birth of Freedom*, marking the 200th anniversary of Abraham Lincoln's birth.

Schedule: The president-elect generally attends a morning worship service before taking the oath of office at noon, usually on the steps of the Capitol. The vice president-elect takes the oath of office during the same ceremony. After the president gives the inaugural address, he and the vice president attend an inaugural luncheon hosted by the Joint Congressional Committee on Inaugural Ceremonies. The parade, times yet to be announced, is later that day down Pennsylvania Avenue. Inauguration balls run from Jan. 15-24.

How to request tickets: Contact your House or Senate member.

Rep. Kay Granger, R-Fort Worth, representing District 12, 202-225-5071, kaygranger.house.gov

Rep. Joe Barton, R-Arlington, representing District 6, 202-225-2002, joebarton.house.gov

Rep. Kenny Marchant, R-Coppell, representing District 24, 202-225-6605, marchant.house.gov

Rep. Michael Burgess, R-Lewisville, representing District 26, 817-531-8454, burgess.house.gov

Rep. Chet Edwards, D-Waco, representing District 17, 202-225-6105, edwards.house.gov

Sen. Kay Bailey Hutchison, R-Texas, 202-224-5922, hutchison.senate.gov

Sen. John Cornyn, R-Texas, 202-224-2934, cornyn.senate.gov. Cornyn's office, which has received about 30,000 requests for tickets but only expects to have a few hundred to give out, recommends that people looking for tickets contact the Joint Congressional Committee on Inaugural Ceremonies at 202-224-2228 or online at **www.inaugural.senate.gov**.

Another online resource: www.change.gov

How to find accommodations: Many hotels and motels are already booked for the inaugural period.

Destination DC, a Washington tourism agency, offers some online booking at reservations.washington.org/953. And some Web sites such as Craigslist have individuals renting out space in their Washington-area homes.

The best bet for transportation is to look for alternatives to flying — such as taking a bus or train.

Print This Article

Monday, Nov 24, 2008
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Democratic Rep. Chet Edwards says Texans will still be players in Washington

By MARIA RECIO
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WASHINGTON — Texans like clout: having it, using it, throwing it around.

And for more than 50 years, Texans have been the biggest players on the Washington scene — president, vice president, Senate leaders, House speaker, powerful committee chairmen, and Cabinet secretaries. That is, until now.

Democrat Barack Obama's presidential victory and solidified Democratic majorities in the House and Senate have left the red state of Texas, with its two Republican senators and GOP-majority House delegation, on the margins.

At least that's how it appears at first glance. But Texas Democrats say they are poised to have an impact.

"Texas will still have the third-largest Democratic delegation in terms of committee and subcommittee chairs, behind California and New York," said Rep. Chet Edwards, D-Waco.

Edwards, a "cardinal" by virtue of being the chairman of a powerful House appropriations subcommittee, is the most powerful and, in many ways, most visible Texas Democrat in Washington.

"We don't have one 800-pound gorilla in our delegation, but we have a lot of aggressive, hard-working members," he said. "I think we're well-positioned to be influential."

There are 12 Democrats and 20 Republicans in the Texas delegation in the House for the 111th Congress. The Democrats include Silvestre Reyes of El Paso, chairman of the House Select Committee on Intelligence, and eight subcommittee chairmen.

Edwards, the Waco lawmaker who was on Obama's shortlist of running mates, said, "I hope my relationship with Obama and his team will be of help to my district and our state."

Edwards, like most Texas Democrats, still complains about the 2003 redistricting battle with then-House Majority Leader Tom DeLay, R-Sugar Land, which cost the state six Democratic seats and seniority that would have given Texas three committee chairmanships.

Martin Frost of Dallas, at Rules; Jim Turner of Crockett, at Homeland Security; and Charlie Stenholm of Abilene, at Agriculture, all of whom lost in 2004, would have given the state a huge advantage.

"Chet is a good guy and will have a lot of influence," Frost said. "But the reality is that Texas doesn't have anywhere near the kind of clout that it used to have."

Although Texas may have eight subcommittee chairmen, Frost said, "it's not the same thing as having chairmen of full committees" who control the agenda.

A factor helping Texas is its role as a major fundraising state, ranking behind only California and New York. Texans contributed slightly more money to Obama than to Republican John McCain in the 2008 election cycle, $17.7 million to $17.6 million, respectively, according to the Federal Election Commission.

"Donations help the state," former Texas Lt. Gov. Ben Barnes said. "What helps the state are a lot of new faces in Texas that supported Obama." The new generation of Democrats, Barnes said, has made it "socially acceptable" to be a Democrat again in the Lone Star State.

Barnes hopes that if Sen. Kay Bailey Hutchison, R-Texas, resigns next year to run for governor, Texans can be persuaded to elect a Democrat to serve with Republican John Cornyn.

But, for Edwards, the best strategy is to work harder with Texas Republicans, who, like Joe Barton of Arlington, the ranking Republican on the Energy and Commerce Committee, are in strategic positions.

The Texas delegation's monthly breakfast, which includes the senators, is a must-go event. "It's more important, not less, that Texans work together on a bipartisan basis," he said.

John Dingell

November 23, 2008

CONGRESSIONAL MEMO

Behind House Struggle, Long and Tangled Roots

By JOHN M. BRODER and CARL HULSE

WASHINGTON — With Representatives Henry A. Waxman and John D. Dingell locked in a fearsome struggle for the chairmanship of the powerful House Energy and Commerce Committee, Steny H. Hoyer, the No. 2 Democrat in the House, was trying to broker a truce.

Two days after Mr. Waxman announced his challenge this month, Mr. Hoyer asked if he would be willing to wait two years, to allow Mr. Dingell, the longest-serving House Democrat, a graceful exit and to preserve the Congressional seniority system. Mr. Waxman said no.

Mr. Hoyer, of Maryland, then asked Mr. Dingell, of Michigan, if he would accept the deal: two years and out. Emphatically, no, Mr. Dingell said. If Mr. Waxman, of California, the darling of environmentalists and the liberal wing of the party, wanted the Energy and Commerce crown, he was going to have to take it by parliamentary force.

And that is precisely what he did on Thursday morning, by a vote of 137 to 122, with the decisive votes coming from the large California delegation and the newest members of the Democratic Caucus.

The roots of the Dingell-Waxman clash go back years, even decades, and have both personal and substantive causes. Mr. Waxman, who represents West Los Angeles, has long chafed under Mr. Dingell's leadership of the committee that many consider the most powerful in Congress and has worked with Democratic leaders to undermine and isolate him. Mr. Waxman and many others think that Mr. Dingell's single-minded defense of the automobile industry's interests set back safety, mileage and emissions standards by years and helped lead the companies to their present precarious position.

Still, Mr. Dingell retained the loyalty of moderate New Democrats, conservative Blue Dogs, much of the Black Caucus and representatives of the many districts with automobile or automotive supplier plants. And many members of all stripes were reluctant to upend the seniority system that they benefit from, or hope to. Mr. Dingell, 82, has represented a suburban Detroit district since 1955 and will become the longest-serving member in House history in February. He has been the ranking Democrat on the Energy and Commerce Committee for 28 years.

"One member who voted against him told me if Dingell had said, 'Give me two years, and I will happily hand the gavel to Henry Waxman,' he probably would have won," said Representative Mike Doyle of Pennsylvania, one of the Rust Belt Democrats who helped round up votes for Mr. Dingell and who spoke for him at Thursday's caucus meeting.

Mr. Doyle said many of the new members had received direct campaign contributions from Mr. Waxman, who had obviously been contemplating a challenge to Mr. Dingell for many months before he went public the day after the November elections.

"You bumped into a lot of freshmen who said Mr. Waxman was very good to them," Mr. Doyle said. "The freshman and sophomore class didn't know John or had never served with him. It's a sad ending for someone who's given so much of his life to the Democratic Party, the Congress and the country. He deserved better."

Maybe so, but there were 137 Democrats, including at least half of the House leadership, who believed Mr. Waxman would be the better man to lead the committee as it considers bills on energy, climate and health care that President-elect Barack Obama wants to see passed in the next session.

Both men mounted vigorous campaigns for the job, but Mr. Waxman's appears to have been better organized, lawmakers and aides said. He had weeks or months to prepare, while Mr. Dingell and his allies seemed taken aback by the challenge.

Waxman supporters say a prolonged meeting on Tuesday to re-elect the Democratic leadership gave Mr. Waxman and his backers an opportunity to make personal appeals to Democrats who were gathered en masse in the cavernous Cannon Caucus Room.

Representative Jim Cooper of Tennessee, a centrist Democrat who said he called about 60 members on Mr. Waxman's behalf, said Mr. Waxman's backers went into the meeting armed with lists of Democrats to buttonhole and saw no comparable Dingell effort. They went so far as to keep an eye out for Democrats leaving the room for a break. Every door was covered, Mr. Cooper said.

Although Mr. Obama and Speaker Nancy Pelosi of California remained officially neutral in the contest, some who sided with Mr. Waxman saw signals that they interpreted as the two leaders' support for the challenger.

Mr. Obama was largely out of sight in Chicago last week, but appeared by video at a climate change conference in Los Angeles on Tuesday to issue a strong statement in favor of fast action on robust global warming legislation. Mr. Waxman has been a forceful advocate of such legislation for several years, and while Mr. Dingell has also proposed a climate change bill, some critics say his version is too friendly to heavy industry and utilities.

The Obama transition office also announced this week that Philip Schiliro, Mr. Waxman's chief of staff, would be the White House director of Congressional relations. "That's a direct line to the White House," said an aide to one of Mr. Waxman's supporters. "Don't underestimate that."

And, on Wednesday, the Democratic Steering and Policy Committee, led by Ms. Pelosi, voted 25 to 22 to recommend that Mr. Waxman replace Mr. Dingell as chairman of the Energy and Commerce Committee. Although the vote was secret, many read the vote as Ms. Pelosi and other leaders' bestowing their blessing on Mr. Waxman's coup.

Most members knew that Mr. Dingell and Ms. Pelosi were not the best of friends. She had contributed to a Democrat who ran a primary race against him in 2002 and has openly disagreed with him on several issues of substance, politics and strategy.

In the closed caucus meeting on Thursday, Mr. Dingell spoke first, emphasizing his decades of legislative accomplishments and defending the seniority system that had cemented his power. He pulled himself up from the wheelchair he has used since knee replacement surgery last month to stand at the lectern. He spoke for two minutes and received a respectful hearing.

Several of his supporters then spoke, concluding with Representative John Lewis of Georgia, the civil rights leader, who gave an impassioned defense of Mr. Dingell as a friend of minorities and working men and women. Mr. Lewis said Mr. Dingell was at President Lyndon B. Johnson's side as he signed the Civil Rights Act of 1964 and the bill creating Medicare a year later. Mr. Lewis received a standing ovation.

Then Mr. Waxman's team took the floor, making his argument that voters demanded change on Nov. 4 and that Mr. Dingell represented the status quo.

Representative Bruce Braley of Iowa, who is finishing his first term, delivered a blistering attack on Mr. Dingell.

"I certainly did what I could to let them know that here was a clear choice," said Mr. Braley, who just won a second term. He was born two years after Mr. Dingell entered Congress.

Mr. Waxman spoke last, taking a full five minutes to methodically make his case for new leadership on the committee that will shape some of the most important legislation to move through Congress in years.

When he finished, Ms. Pelosi jumped up from her seat at the leadership table and led a standing ovation for him, an act that some said was all the evidence needed by wavering members.

After the deed was done, Ms. Pelosi called Mr. Dingell to try to soothe bruised feelings. She wanted to ask him to remain on the Energy and Commerce Committee as chairman emeritus and to tell him he could keep his Capitol office. She got his answering machine. As of Friday evening, the call had not been returned.

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POLITICAL DIARY | NOVEMBER 22, 2008, 10:22 P.M. ET

The Climate Purge

Coup d'etat at the powerful House Energy and Commerce Committee.

By JOSEPH RAGO

Henry Waxman moved to consolidate his coup d'etat at the powerful House Energy and Commerce Committee just hours after he was installed as the new chairman this week. It appears that the California liberal, with his customary subtlety, is plotting a night of the climate-change long knives.

Democrats dumped the current Chairman John Dingell because he does not favor global-warming action aggressive enough to suit the party's green wing. Now his lieutenants, who've been known to share his views, are targets too. Gene Green, an oil-patch Democrat who chairs the subcommittee on environmental issues, sent out a panicked Dear Colleague letter that called for "healing" and volunteered that he has enjoyed working "with Chairman Waxman on a number of other issues and I would hope to continue it."

Then Bart Stupak -- Mr. Dingell's chief deputy, head of the investigations subcommittee and resident FDA demagogue -- chimed in that he, too, looks forward to carrying on "the important work Chairman Dingell and I began."

But the Dingell ally who should be looking over his shoulder most nervously is Rick Boucher, chairman of the energy subcommittee. Mr. Boucher has been a friend to the coal industry and hardly finds himself in a comfortable position now when his incoming boss supports a moratorium on coal-fired power. Mr. Boucher's likely replacement is Ed Markey, Nancy Pelosi's climate-change point man, now head of the telecom subcommittee. In a fit of anti-Dingell pique, Speaker Pelosi last year stripped Mr. Dingell of jurisdiction over climate change, giving the portfolio to a special panel run by Mr. Markey. Never mind that the new panel, under House rules, lacks the power to mark up legislation. Mr. Dingell called the committee "as useless as feathers on a fish" and "an embarrassment to everybody."

No doubt Mr. Dingell's comments were among the many sins he's now paying for. Soon taxpayers will be paying a stiff price too if Mr. Waxman and company succeed in their plans to use federal money to subsidize all kinds of "green" energy interest groups.

Los Angeles Times
http://www.latimes.com/news/opinion/editorials/la-ed-waxman24-2008nov24,0,5536228.story
From the Los Angeles Times
Editorial

Dumping Dingell was overdue

The member from Michigan blocked energy reforms; Henry Waxman will do a better job heading the Energy and Commerce Committee.

November 24, 2008

Nobody ever refers to members of Congress as "lions of the House," but Rep. John D. Dingell (D-Mich.) has as thick a mane as any (figuratively speaking, of course). The longest-serving current member, Dingell was writing legislation before Barack Obama was born, and has been at the forefront of congressional efforts to improve consumers' access to healthcare and protect them from harmful drugs. Yet his unceremonious dumping last week as chairman of the powerful Energy and Commerce Committee might be the best news we've heard since Obama's elevation to the White House.

At the risk of sounding ageist, which Obama was accused of when he said the same thing about John McCain, Dingell just doesn't get it. The 82-year-old lawmaker has been a mettlesome roadblock on the path toward greater energy independence and solutions to climate change for years. He has consistently (and until last year, successfully) defended Detroit automakers against congressional attempts to improve fuel efficiency standards -- a stance that not only contributed to soaring oil prices but ultimately harmed the car makers themselves, because it left them unprepared for a shift in consumer taste toward smaller vehicles. He is also at the center of a vast web of K Street interests, wielding his substantial fundraising powers to buy influence among fellow members of Congress and repaying his big donors, such as the mining industry, by weakening efforts to rein in pollution and greenhouse gases.

His replacement, Rep. Henry A. Waxman (D-Beverly Hills), needs little introduction here in his hometown. One of the House's canniest crafters of legislation, Waxman is a tireless proponent of clean energy, environmental protection and progressive healthcare policies. There is no doubt that he will pursue Obama's top objectives, such as expanding health insurance coverage and renewable power, much more quickly than Dingell. The only question is whether he will be able to do it as effectively; widely disliked by conservatives and business interests, Waxman might have a tough time reaching consensus with the other side of the aisle.

Waxman's new post means that like-minded Californians now control the panels in both houses that will oversee climate change issues next year; Democratic Sen. Barbara Boxer heads the Senate's Environment and Public Works Committee. Given that this state leads the nation in climate regulation and the development of clean technology, nothing could be more fitting.

Nov. 24, 2008

EDITORIAL: 'Change' coming to Washington

Grandstanding Waxman gets more power

Indications multiply that those who hoped Barack Obama and the resurgent Democratic Party would calm down and govern "to the center" are about to face a rude awakening.

On the campaign trail, candidate Obama -- whose legislative record showed him to be an ardent backer of gun control -- toned down his hoplophobia, vowing in soothing tones that he would "not take away" Americans' firearms. Yet his just-announced choice for attorney general, Eric Holder, earlier this year signed an amicus brief in the court case District of Columbia vs. Heller, supporting the District's ban on the use of any firearm for self-defense in the home -- as Barack Obama himself supported that patently unconstitutional measure.

As deputy attorney general, the gun-rights stances of Mr. Holder made Janet Reno look like Annie Oakley.

The man now tapped to become our next attorney general advocated federal licensing of American handgun owners, a three-day waiting period on handgun sales, and rationing handgun sales to no more than one per month -- for starters.

Not to be outdone in this race to the radical left, congressional Democrats responded in kind Thursday, dumping Rep. John D. Dingell, D-Mich., as chairman of the Energy and Commerce Committee, and replacing him with Rep. Henry A. Waxman, D-Beverly Hills and West Hollywood.

The secret ballot among members of the Democratic caucus -- the kind of ballot congressional Democrats hope to soon take away from American workers threatened with unionization -- swung 137-122 to depart from the chamber's usual seniority system.

Rep. Dingell, 82, is hardly a free-market zealot. Nonetheless, he represents greater Detroit and is seen as a champion of the auto business. Skeptical of massive steps to cripple the economy in pursuit of the chimera of "global warming," he has slowed or blocked action on stricter vehicle emissions standards, fuel-economy improvements and other initiatives to accelerate the "green" destruction of the domestic auto industry.

Rep. Waxman, on the other hand, represents not constituents who manufacture a product made of steel, but rather a town that manufactures dreams.

And it shows.

"Whether you agree with him or not, Chairman Dingell has long been respected as an insightful, reasonable and pragmatic legislator," said Thomas Pyle, president of the Institute for Energy Research, a pro-business research group. "These are not qualities for which Mr. Waxman is known."

Mr. Pyle said that Rep. Waxman probably would bring "sweeping changes" to the committee's focus, "which isn't good news if you're in the business of American energy or other kinds of free-market commerce."

By contrast, environmentalists hailed Rep. Waxman's promotion.

"It's a whole new day for the environment," cheers Dan Becker, director of the Safe Climate Campaign, an environmental advocacy group. "The committee through which all major environmental legislation has to pass has gone from someone hostile to environmental protection to a real champion."

Rep. Waxman's selection "will put him at the center of efforts to advance President-elect Barack Obama's proposals to curb global warming, develop alternative fuels and expand health insurance coverage," his hometown Los Angeles Times enthused on Friday.

Rep. Waxman will not maintain a low profile -- he never has. Even when his bailiwick was limited to the Oversight and Government Reform Committee, he did not hesitate to bask in the camera lights as he hauled everyone from hedge-fund managers to steroid-using baseball players to former spy Valerie Plame through his committee room to testify at high-profile hearings.

"Waxman's election suggests that Congress will tackle climate-change legislation next year," the L.A. Times noted. "Waxman, Sen. Barbara Boxer, D-Calif., chairwoman of the Senate committee on the environment, and House Speaker Nancy Pelosi, D-Calif., have called for tough new limits on emissions from power plants, factories and other pollution sources."

By "pollution," of course, the Times refers primarily to the non-toxic gas carbon dioxide -- the stuff Rep. Waxman and his constituents produce when they exhale.

Because the new state religion of Environmentalism says we must stop burning coal, oil, and natural gas -- never mind the effect on our economy -- lest we all end up frying like bacon on a griddle.

Think those edicts in which our regal rulers wave their magic wands and declare what percentage of our power "must" be generated by windmills and solar panels were already a bit presumptuous?

Think your energy bills were already a tad high?

Hold on, folks. You voted for "change." And you ain't seen nothin' yet.

POLITICO

Waxman win has ripple effects

By: Patrick O'Connor and Ryan Grim
November 21, 2008 01:34 PM EST

Henry Waxman's coup to oust John Dingell from the top spot on the powerful Energy and Commerce Committee upsets a balance that has been in place for almost three decades and may set in motion more bloodletting within that committee.

The era has ended where Dingell and his centrist allies dominated a panel with primary jurisdiction over just about every industry in this country, from utilities to pharmaceuticals, telecommunications to the Michigan Democrat's beloved auto industry.

The fallout from this fight with Waxman will ripple through Washington for years. But some lawmakers are worried about more immediate aftershocks – Dingell's subcommittee chairmen are already sending letters hoping to keep their jobs so they can have a hand in an aggressive environmental, energy and health care agenda Waxman is sure to pursue in coordination with the incoming Obama administration.

Following the vote Thursday, environmental groups applauded Waxman's elevation. Republicans
criticized Democrats for supplanting the more moderate Dingell. And the outgoing chairman's top allies scrambled to save their own posts atop coveted subcommittees.

Two top Dingell backers – Reps. Gene Green of Texas and Bart Stupak of Michigan – drafted letters shortly after the vote in an early bid to keep their subcommittee chairmanships on the Energy and Commerce panel.

Stupak released an official statement congratulating Waxman that included an explicit appeal to keep his chairmanship on the Oversight and Investigations subcommittee.

And Green, a so-called "Oil Patch Democrat" for his support of the oil and natural gas industry, cautioned any of his colleagues from making any rash judgments in the wake of the election Thursday.

"When you're married to someone and you have an argument, you need some quiet time," Green said. "So hopefully we'll have that over Thanksgiving, and we can come back and (be) willing to work with each other."

Waxman has a handful of personnel decisions ahead, and those calls will be based on policy as much as personal politics.

For example, Virginia Rep. Rick Boucher, another Dingell ally, sits atop the powerful Energy and Air Quality subcommittee, but his roots in coal country have put him at odds with Waxman's allies in the environmental community that have long sought lower carbon emissions, from car companies and coal-fired power plants alike.

Will Waxman allow Boucher, who favors more lenient policies to reduce carbon emissions than the incoming chairman, to sit atop a subcommittee with jurisdiction over an issue that is near and dear to his heart?

The other big question: What becomes of Speaker Nancy Pelosi's special task force on global warming?

Waxman urged the speaker last year not to grant that task force any legislative authority – she did not grant that authority.

Democrats allow members to bid on subcommittee leadership slots, according to one senior aide. The Policy and Steering Committee, which voted to give Waxman the Energy and Commerce chairmanship, must approve these subcommittee posts.

Most members of the Energy and Commerce Committee backed Dingell in the race, so Waxman may need to tread lightly at the outset or risk losing support from the members he represents.

Waxman criticized Dingell in his remarks to the caucus, according to numerous people in the room – a step that rankled some members in both camps afterward. And Dingell did not address the media gathered outside the Cannon Caucus Room after his loss – although he did release a statement congratulating his longtime rival afterward.

Both men had kind words for the other in the aftermath of this fight, but the next few weeks will tell whether these two branches of the party can come together like they did after Hoyer repelled the challenge from Murtha.

On a more personal level, an army of aides and lobbyists owe their careers to Dingell – even House Judiciary Chairman John Conyers, Jr. (D-Mich.) once worked for the Dean of the House. And this outcome could make life more difficult for many of them. But the job market is kind to anyone with a “D” after his or her name these days, now that a Democrat is taking over the administration and the party expanded its majorities in both chambers.

Waxman’s win was a mixed blessing for congressional Republicans. On the one hand, Republicans don’t expect to work as closely with Waxman as they occasionally worked with Dingell. But the California Democrat makes an easy target for partisan attacks.

“This decision sends a troubling signal from a majority that has promised to govern from the center,” House Republican Leader John A. Boehner said, complaining that Democrats have been “pulled leftward by radical special interests.”

“Speaker Pelosi would rather have someone more in line with her liberal views than a moderate Democrat who is respected in both parties,” said Texas Rep. John Carter, the secretary of the Republican Conference. “While Democrats claim to govern from the center, they showed their true cards today.”

The newly-minted chairman shrugged off his Republican critics, dismissing the suggestion he would overreach by swaying too far left in the policies he pursues.

“I heard that one before, and they were wrong,” Waxman said.

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WSJ.com

JOHN FUND ON THE TRAIL | NOVEMBER 22, 2008, 10:22 P.M. ET

Secret-Ballot Hypocrisies

The Democrats believe in one man, one vote, one time.

By JOHN FUND

This week's 137 to 122 vote of House Democrats to replace John Dingell with liberal Henry Waxman at the energy and commerce committee would likely not have happened but for the secret ballot. Even Rep. Louise Slaughter, chairwoman of the House Rules Committee, told Congressional Quarterly she was relieved the vote would be a private one: "It's a secret ballot. . . . Thank the Lord."

After all, the fearsome Mr. Dingell, who will become history's longest-serving House member next year, has been known to hold grudges.

Yet the obvious irony is that Democrats now will try to deprive workers of the same privacy privilege in workplace unionization battles. So-called "card check" legislation would require an employer to sign a union contract as long as a simple majority of workers sign a form authorizing a union to represent them -- a move that necessarily makes workers more vulnerable to coercion and intimidation than if they are voting by secret ballot.

And the ironies keep piling up. The leading House sponsor of card check is Rep. George Miller, who also served as campaign manager of Mr. Waxman's race against Mr. Dingell, settled by secret ballot. What's more, along with 10 House Democrats, Mr. Miller wrote a 2001 letter to Mexican government officials encouraging the "use of secret ballots in all union recognition elections." The letter states: "We feel that the secret ballot is absolutely necessary in order to ensure that workers are not intimidated into voting for a union they might not otherwise choose."

Rep. Miller and the other signers now say their demand was for secret ballot votes only when "workers seek to replace one union with another union. " Funny. Their letter made no mention of that specific situation and instead referred to "all union recognition elections."

A better explanation is that Democrats' principled support for a secret ballot flies out the window when it comes to union organizing efforts sponsored by the special interests who helped them win control of Congress.

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Article published November 23, 2008

Dingell's loss of key position reflects new political climate

John Dingell's ouster as chairman of the powerful House Committee on Energy and Commerce erases any doubt about meaningful climate legislation being passed by the next Congress.

That's good for the carbon-spewing Great Lakes region, even if it serves as a political embarrassment for the southeastern Michigan Democrat who is three months away from becoming the longest-serving U.S. House member in the nation's history.

Though the Great Lakes region will face a delicate — if not costly — transition to whatever is ultimately signed into law, it will reap more benefits than many other parts of the country.

Carbon dioxide and other greenhouse gases come from a variety of sources. Chief among them are coal-fired power plants and automobiles, both of which are big in the Great Lakes region.

Without reining in those emissions, the Earth will warm faster than it would naturally.

The lakes will evaporate faster. They're already too low for optimal shipping. Other problems loom, from more noxious algae to more West Nile virus. A do-nothing approach would drive down property values, endanger public health, and take a bite out of fishing and hunting, the tourism-recreation backbone of our region's economy.

Ohio and Michigan are pinning their hopes for a renaissance on jobs created in the renewable energy sector, the market for which will be driven largely by the strength of climate legislation.

Mr. Dingell stood up for American automakers and their resistance to tougher fuel-economy standards while coming on strong about climate change himself in recent months.

Apparently, it was too little too late. By a 137-122 vote, Democrats replaced him with U.S. Rep. Henry Waxman, a 69-year-old Los Angeles liberal who is a darling of environmentalists.

Mr. Waxman, House Speaker Nancy Pelosi and Sen. Barbara Boxer, who chairs the Senate Committee on Environment and Public Works, are all California Democrats. California is the nation's leader on climate legislation, as it has been with other air-pollution laws.

The significance of Mr. Dingell's ouster was not lost on the Competitive Enterprise Institute, a free-market think tank that ExxonMobil funded for years to fight climate legislation. It claimed Mr. Waxman could "send us back to the

Stone Age."

"This should provide a loud wake-up call to American business leaders that the 111th Congress is not going to play nicely with them on energy rationing policies," Myron Ebell, the group's director of energy and global warming policy, said.

The Michigan Environmental Council was more tactful, saying Mr. Dingell joined hands with the Michigan delegation and domestic automakers "in confusing loyalty to Michigan's automobile industry with good policy on fuel economy."

"However, his overall record on top environmental matters is superb," the council said.

All of which seems to underscore how important climate legislation has become.

"Few challenges facing America — and the world — are more urgent than combating climate change," President-elect Barack Obama said Tuesday at the Governors' Global Climate Summit in Los Angeles. "My presidency will mark a new chapter in America's leadership on climate change that will strengthen our security and create millions of new jobs in the process."

Mr. Dingell, 82, has been in Congress since replacing his late father in 1955 at age 29. He has been the Democratic Party's leader on the energy and commerce committee since 1981.

He had little to say in response to his ouster, except that "this was clearly a change year."

Opinion

Blue Dog Democrats should be sure to bite back

By The Examiner Newspapers
- 11/24/08

Inspired by Speaker Nancy Pelosi, House progressives fervently believe they now have a mandate for radical economic and social change in America.

They demonstrated just how fervently last week when they trashed their own seniority system and replaced longtime House Energy and Commerce chairman John Dingell, D-Mich. with Henry Waxman, the Democratic congressman who represents Hollywood.

The shake-up was a very pointed jab at moderate Blue Dog Democrats who represent districts that are considerably less liberal than Beverly Hills and who supported Dingell. Now the progressives may learn that poking dogs is not a good idea because sometimes they bite back.

Centrist House Majority Leader Steny Hoyer, D-Md., tried to warn his fellow Democrats against doing just that in a recent speech at the National Press Club: “We must remember where our majority came from. We did not just make full-blown ideological converts of the other half of the country. What we did do ... was convince majority-making independents that we will govern responsibly at a time of national crisis.” That is exceptionally sound advice from a consummate politician.

Not everybody on Capitol Hill got the message.

Although Pelosi had previously acknowledged that “the country must be governed from the center,” she actively plotted behind the scenes to replace Dingell, a loyal Democrat and the longest serving member of the House. By contrast, Waxman, an able politician in his own right, nevertheless is far more radical and polarizing than Dingell.

Thanks to the efforts of Rahm Emanuel, who recruited Democratic candidates in Republican districts, the moderate Blue Dogs increased their numbers this year and now account for a fifth of the House membership. Add their 51 votes to a diminished but more cohesive Republican minority, and you have a bloc that can derail President-elect Barack Obama’s key policy initiatives, especially his enormously expensive health care and energy proposals, or stop radical changes on hot-button social issues like abortion, gay marriage and gun control in their tracks. Top Blue Dog John Tanner, D-Tenn., emphasized his coalition's independence when he defiantly stated that "nobody can order us to do anything."

After being spurned by Pelosi, Blue Dogs will be even more tempted to break party ranks when it comes time to vote for economy-strangling, job-killing, religion-bashing measures that they will have to explain to angry voters back home. As Hoyer correctly noted, most of the Blue Dogs ran as bipartisan, fiscally responsible moderates in right-leaning districts that could easily flip back to GOP control in two years if Democrats try to steer the country too far to the left.

November 23, 2008

California schemin': Is left coast plotting Michigan's ruin?

BY BRIAN DICKERSON
FREE PRESS COLUMNIST

Bipartisan fears of a 1929-style economic collapse have taken the steam out of the Red State-Blue State rivalry.

This is good news for the country and its president-elect, who is trying to gin up a consensus economic agenda from the limbo-land of interregnum Washington.

But it's a serious setback for the Talking Heads of America (Motto: "Country second"), many of whom have staked our careers on the conviction that any complex issue can be reduced to a simplistic clash between two starkly distinctive archetypes (Fox vs. MSNBC, Wal-Mart vs. Neiman Marcus, Jennifer v. Angelina, etc.).

It really doesn't work for us when Bill O'Reilly enjoys a friendly tête-À-tête with Jon Stewart, or when the senior Democratic senator from Michigan and the senior Republican senator from Ohio go to bat for the same Detroit Three rescue bill.

So I think I speak for a lot of other conflict-hungry keyboard zombies when I say: Thank God for Henry Waxman.

Prince of the Prius-drivers

Waxman -- for the benefit of those who've spent the last decade or so avoiding all cable news networks -- is the youthful 69-year-old who ousted Dearborn Democrat John Dingell, 82, last week as chairman of the powerful House Energy and Commerce Committee.

More important, Waxman is a Californian -- besides Hollywood and Beverly Hills, his congressional district encompasses all 27 miles of oceanfront Malibu -- and thus the perfect embodiment of all those pot-smoking, Prius-driving, bunny-hugging, gay-friendly arugula-eaters who are conspiring to expel Michigan (starting with its senior representative in the U.S. House) from the Elite States of America.

That's right: It's Michigan vs. California -- Us vs. Them -- in the cultural grudge match of the century!

Or at least this week's grudge match of the century.

The same day the House Democrats voted to unhorse Dingell, the mayors of San Francisco, Oakland and San Jose held a news conference to unveil plans for a $1-billion network of electric car charging stations in the San Francisco Bay area.

Within hours, several alert Free Press readers e-mailed me the story, speculating that Waxman's move on Dingell was part of a larger California conspiracy to displace Detroit as America's Motor City.

Et tu, Barack?

Well, duh.

Or did you forget that House Speaker Nancy Pelosi, whose spurious neutrality in the Waxman-Dingell showdown sealed Dingell's defeat, represents the very congressional district in which the aforementioned electric car hub is being built?

And that Senate Majority Leader Harry Reid, D-Nev., who scuttled a floor vote on the Detroit Three loans until next month, hails from a state that nuzzles up to California like a floozy trolling for free drinks?

And that between his Hawaiian childhood and his early political career in Illinois, a certain president-elect spent two years attending college in Los Angeles?

Ya follow, Michiganders? The Obama victory that at first appeared to be a successful collaboration between two reliably blue states can now be understood as a critical step in California's plot to overthrow the Motor City.

All that stands between our state and total oblivion now are a few million electric cars and our redoubtable governor, Jennifer Granholm, who has been devoted to Michigan and its largest city ever since she left ...

Omigosh.

*Contact **BRIAN DICKERSON** at 248-351-3697 or bdickerson@freepress.com.*

November 22, 2008

Politics

Rep. Waxman Known As A Keen Negotiator

by Julie Rovner

Listen Now *[3 min 32 sec]* add to playlist

AP Photos/Susan Walsh

Rep. Henry Waxman ousted Rep. John Dingell to become chairman of the powerful Committee on Energy and Commerce on Thursday.

"I think you're going to see a very activist committee, a committee that brings about Barack Obama's message of change."

Jim Cooper, Democratic representative from Tennessee

All Things Considered, November 21, 2008 · There are a lot of new faces on Capitol Hill, and some old faces in new places. Among the latter is Calif. Democratic Rep. Henry Waxman.

Thursday, in a secret ballot vote among his fellow Democrats, he ousted Michigan Rep. John Dingell to become chairman of the powerful Committee on Energy and Commerce.

Waxman has been waiting a long time for this moment.

"John Dingell has been chairman or ranking member of the Energy and Commerce committee for 28 years, and most of that time I have been No. 2 after him in seniority," Waxman said.

But with a new Democratic president-elect and bigger Democratic majorities in the House and Senate, the 69-year-old Waxman finally got tired of waiting for the 82-year-old Dingell to retire.

"I think it's important for us to have new leadership on the committee. That's why I ran; that's why I'm delighted I won, so we can provide the change the people told us they want" through this election, Waxman said.

'A Very Activist Committee'

And like the president-elect, Waxman wouldn't say whether he will try to tackle energy or health care first.

"I don't think we can say that we can only do one issue at a time," he said. "I think we've got to tackle them all."

What others will say is that Waxman will bring his trademark tenaciousness to his new post.

"I think you're going to see a very activist committee, a committee that brings about Barack Obama's message of change," said Tennessee Democrat Jim Cooper, who helped manage Waxman's campaign for the chairmanship. "I think there are a million legislative details to be figured out, but I think we're going to see real progress on the environment, real progress on energy, and most important for me, real progress on health care."

The Waxman-Dingell Partnership

Waxman spent 16 years as chairman of the Commerce panel's Health and Environment subcommittee. There the more liberal Waxman tangled with Dingell over clean air and other environmental legislation.

But he mostly worked with the chairman on health issues. And together they accomplished a lot, said Sara Rosenbaum of George Washington University.

"Their joint accomplishments on behalf of working poor families and children and pregnant women and people with disabilities and the frail elderly just simply cannot be overstated," she said.

During the 1980s and 1990s, Waxman managed to use budget-cutting bills to expand coverage for many of the poorest Americans. Rosenbaum says by making the changes bit by bit over a period of years, the eventual accomplishment was large, indeed.

"Congressman Waxman, with the great leadership and support of Congressman Dingell, made it possible for an additional 15 to 20 million children to be covered by Medicaid," Rosenbaum said.

A Keen Negotiatior

Waxman is known best, though, as a keen negotiator. John Green, who works for the National Association of Health Underwriters, says he was pleasantly surprised to be able to overcome the congressman's early opposition to a long-term-care insurance program.

"So, I think that while some people in town fear this change, he's proven — to me anyway — that we can find compromises and get things done," Green said.

Waxman also can get what he wants from his colleagues on Capitol Hill — particularly in the Senate. Former GOP Sen. Dave Durenberger says Waxman was always the best-prepared member at the House-Senate conference table — and almost always got the better of the senators he faced off against.

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Rearranging the lineup on Capitol Hill

Friday, November 21, 2008

If you doubt Washington can change, ask John Dingell. After 53 years in the House, he was dumped as chairman of a congressional committee that sets energy, environmental and health policy - pretty much the political world these days.

Dingell, a Detroit-area Democrat, was brought down by another longtimer and fellow Democrat, Henry Waxman from Los Angeles. Both are liberal old bulls who've drawn wink-and-nudge labels such as aggressive, fierce and hard-charging, suggesting each can be Godzilla with a gavel.

But put aside the personal drama. The changeover carries the message that heads are rolling as the Obama army approaches. Waxman saw this opportunity and moved quickly, lining up House Speaker Nancy Pelosi, who played a restrained but deliberate role in removing Dingell, who's crossed her in the past.

The list of implications is long. Detroit carmakers, more than ever, are on life support with the loss of a loyal protector. Their plea for a $25 billion bailout got a definite maybe from skeptical Congress last week. Without Dingell to guard against major policy changes, the path is cleared for the Obama agenda on climate change, alternative fuels and high-mileage mandates.

And, via Waxman, California finally may have its way on setting tailpipe emissions and mileage rules after enduring opposition from the Michigan congressman and the Bush White House.

The foot-dragging from Washington has undercut state ambitions to reduce emissions by 30 percent by 2020. The countersurge from this coast will match Waxman with Sen. Barbara Boxer, the California Democrat who heads that chamber's panel that deals with the environment. Never has this state ever had such a powerful one-two punch on the topic.

Also, the lockstep seniority system can be bucked. As Waxman, who's represented the west side of Los Angeles since 1974, said, "Seniority is important, but it should not be a grant of property rights."

His win, by majority vote of House Democrats, puts him in command of the Energy and Commerce Committee, which Dingell ran for 28 years. The panel's purview sounds like an Obama campaign brochure: global warming, energy policy and health care.

As chairman, Waxman controls the flow of bills on these topics in an overwhelmingly Democratic House. In his prior committee posts, as head of panels dealing with government oversight and health, Waxman lashed out at tobacco firms, drugmakers and Bush policymakers.

His ascension to his new chairmanship drew showers of praise from environmentalists hungering for the House to follow through on Obama campaign promises. But it also drew doubts from Dingell supporters who feel the liberal West Coast-er will ride roughshod over the wishes of more moderate America.

On issues such as health policy, the two representatives had parallel records. It was on clean air controls for coal-burning power plants and the fuel efficiency standards for cars and trucks where key differences lay. Washington had blocked California's plans for tailpipe and mileage laws that aimed at curbing smog and greenhouse gas emissions.

Detroit complained that the engine redesigns were costly and should be imposed nationwide, not by individual states. In practical terms, this meant no change would result because carmakers and business allies had veto power in the lawmaking process in Washington.

Beginning with concern about climate change and culminating with Obama's victory, this old political formula has fractured. Waxman's win could signal other changes in Washington's power circles as the landscape continues to shift.

In the Senate, Democrats gently ousted 91-year old West Virginia Sen. Robert Byrd as head of the weighty Appropriations Committee. Another mighty oak, Sen. Ted Stevens of Alaska and the longest-serving Republican in Senate history, lost a re-election bid after a corruption conviction.

Of this batch, the Waxman-Dingell standoff was the plainest battlefield test of opposing forces. Now it's time to see how a new team in the White House matches up with a rearranged lineup on Capitol Hill.

http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/11/21/EDOQ1471AP.DTL

This article appeared on page G - 10 of the San Francisco Chronicle

San Francisco Chronicle

Matier and Ross

Power play: The toppling of longtime Rep. **John Dingell**, D-Mich., as chairman of the **House Energy and Commerce Committee** was the political equivalent of a 9.8 earthquake - and it was set off thanks to the efforts of Bay Area lawmakers.

“It’s something that only happens maybe once every 50 years,” said Rep. **Anna Eshoo**, D-Palo Alto, one of the key players in the coup that ousted Dingell and replaced him with fellow California Democrat **Henry Waxman** of Los Angeles.

Eshoo, who is on the panel, makes no bones about her role in turning Dingell out. “For the past 10 years, he has been driving this committee with the emergency brake on,” Eshoo said, pointing to his reluctance to take on such issues as global warming, fuel-economy standards and health care reform.

Over the last few months, Eshoo along with Rep. George Miller, D-Martinez - with the apparent blessing of House Speaker Nancy Pelosi of San Francisco - worked to get the votes for the play.

“And California was the first out of the gate with the votes,” Eshoo said.

WASHINGTON

Doggett helped dethrone energy panel chief

Austin congressman said change will help with legislation to fight climate change.

By Eunice Moscoso
WASHINGTON BUREAU
Saturday, November 22, 2008

WASHINGTON — U.S. Rep. Lloyd Doggett of Austin took a gamble this week that paid off. He was part of a team that helped oust fellow Democrat John Dingell of Michigan from his post as chairman of a key energy panel: the House Energy and Commerce Committee.

In a vote by the Democratic Party caucus that defied the seniority system and delighted environmental groups, Dingell was replaced by Rep. Henry Waxman, D-Calif.

"It was very risky," Doggett said.

Waxman called Doggett several weeks ago to ask for his support in dethroning Dingell, a strong ally of U.S. automakers.

Doggett said he responded with enthusiasm because Waxman has been involved in the struggle for cleaner air and against global warming. But Doggett said he also thought it was a "near impossible task."

In the past, Dingell has upset some other Democrats by resisting efforts to put new fuel-efficiency standards on cars.

Doggett said the new chairman should help the Texan's efforts to pass global warming legislation. Doggett's measure would cap the amount of greenhouse gas emissions that businesses could produce and give credits to those that take steps to reduce emissions. Those credits could then be auctioned on the global market to produce revenue, creating economic incentives to fight global warming.

Doggett said that passing such a bill would still be difficult because of opposition from the coal industry and others but that the political climate for the legislation has never been better.

GRISTMILL A blogful of leafy green commentary

Senior moment

Waxman may move to put climate allies at head of key subcommittees

Posted by Kate Sheppard at 4:23 PM on 21 Nov 2008

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As the new chairman of the House Energy and Commerce Committee, Henry Waxman (D-Calif.) has the authority to reorganize the panel's subcommittees, which could have further implications for climate and energy policy in the 111th Congress.

The position many enviro observers are wondering about is the Energy and Air Quality Subcommittee, which is currently headed by Rick Boucher (D-Va.) -- an ally of John Dingell (D-Mich.), the man Waxman unseated as committee chairman this week. Boucher, whose district is home to lots of coal mining, co-authored Dingell's climate bill and has been a proponent putting of billions of dollars toward investment in carbon capture and storage technology.

Since Dingell ranks above Boucher, he could theoretically take that spot, if he wants it. But Waxman could swap his ally, Ed Markey (D-Mass.), into the role, who also has seniority. Markey also chairs the Select Committee on Energy Independence and Global Warming, which Speaker Nancy Pelosi today vowed to renew next year with Markey at the helm. Whether Markey would want to take the lead on the subcommittee, which unlike his select committee would have the power to mark-up and advance legislation, remains to be seen. Markey is also currently the chairman of the Energy and Commerce subcommittee for Telecommunications and the Internet.

Waxman could also tap someone else to head the subcommittee, if he so chooses. And if the vote yesterday showed one thing, it's that deference to seniority is weakening. Waxman acknowledged as much yesterday: "We are at a unique moment in history. Seniority is important, but it should not be a grant of property rights to be chairman for three decades or more."

Regardless of what happens, Boucher will probably retain influence on climate legislation. If he's not chairman of Energy and Air Quality, his stature may allow him to take the helm of another subcommittee, and he's pledged that he will still be a staunch advocate for the coal industry. "It doesn't change my substantive work," he told the the *Times-News* yesterday. "I think it has little, if any, effect because I will be in the thick of the action working on behalf of our region, whether as subcommittee chair or some other role."

"I will continue to have a leading role in formulating energy policy and in assuring that the climate change legislation enables a future growth in the coal industry, and that will be true whether I chair the subcommittee or I serve on the subcommittee as a senior member, in which event I will be chairing some other subcommittee," Boucher said.

Another subcommittee chairmanship that enviros will have their eyes on is the Environment and Hazardous Materials panel, currently headed by Gene Green of Texas.

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CQ TODAY ONLINE NEWS – CONGRESSIONAL AFFAIRS
Nov. 20, 2008 – 7:21 p.m.

Waxman’s Version of Change Arose Quietly

By Coral Davenport, CQ Staff

The day after Barack Obama won a resounding victory in the presidential sweepstakes, Rep. Henry A. Waxman , D-Calif., started making phone calls.

He had decided to harness Obama’s message of change to launch a bold campaign to topple the House’s longest-serving member, John D. Dingell , from his perch atop one of the most powerful committees in Congress. Waxman’s first call went to Dingell.

“I told him what I planned do,” Waxman said. “He did not agree with what I was doing.”

The gamble paid off Thursday, when House Democrats voted 137-122 to unseat Dingell, 82, as chairman of the Energy and Commerce Committee. The 69-year-old Waxman — first elected to the House 34 years ago in the aftermath of Watergate — took a page from Obama’s playbook and cast himself to colleagues as an agent of change.

In a methodical, behind-the-scenes campaign, Waxman called on fellow liberals and Californians, his natural allies, for support. He also called many of the party’s “old bulls” — committee chairmen and senior members who would most likely side with Dingell.

“He talked to me and told me he was running on change,” said Charles B. Rangel , D-N.Y., powerful chairman of the Ways and Means Committee. “I told him, ‘I don’t want change!’”

But Waxman’s message did resonate with many other Democrats, especially younger and newly elected lawmakers, as well as those who want to push an aggressive agenda on environmental and energy issues. Environmentalists have criticized Dingell, an ardent defender of his home state’s auto industry, for moving too slowly on legislation to restrict greenhouse gas emissions.

“Waxman won on ideology and generation,” said Bill Pascrell Jr. , D- N.J., “I think it was basically the freshmen and sophomores who decided this election. They were the force in this. And they should be a force in how we decide things.”

Florida Democrat Debbie Wasserman Schultz , who was just elected to her third term, said Waxman’s appeal struck a chord with younger members inspired by Obama.

“His focus was on change, the fact that we need to move forward aggressively,” she said.

In addition to making that philosophical appeal, Waxman strategically gave financial help to the House campaigns of younger Democrats, using his political action committee to donate as much as two to five times as much as Dingell to individual candidates.

Many of Dingell’s backers said they thought younger members, typically respectful of the institutions of seniority and leadership, would defer to the veteran committee chairman.

Waxman’s challenge initially seemed to catch Dingell off guard, but he fought back with a public campaign designed to demonstrate his support. Dingell rolled out lists of supporters and lined up backing of key constituencies, including members of the moderate Blue Dog Coalition and the House’s caucuses of black and Hispanic lawmakers.

Waxman’s Version of Change Arose Quietly

Dingell’s campaign centered on respect for the House’s seniority system and an emphasis on his legendary legislative skills. Supporters argued that Dingell left his mark on landmark legislation that curbed air pollution, protected endangered species and extended health care for children.

As the top Democrat on the Energy and Commerce Committee since 1981, Dingell expanded the panel's jurisdictional reach to touch almost every corner of domestic policy. But that reputation may have been less of a factor for younger members of the Democratic caucus.

"I haven't been around here long enough to immerse myself in these leadership battles," said Peter Welch of Vermont, who was just elected to a second term. "I have an immense amount of respect for Mr. Dingell, but the environment is a huge issue."

Waxman, currently chairman of the Oversight and Government Reform Committee, is himself a fixture in the House, where he has served since the Ford administration. His outreach to colleagues was aggressive but strategic — his supporters never publicly showed their hand before the caucus vote.

"He's not one of those people who pushes his way through things," said Hilda L. Solis , a Californian who sits on the Energy and Commerce panel, but who did not declare her support for Waxman until after the vote. "He's very quiet, strategic, methodical. But he did show the need, the urgency for change."

In her speech before the caucus supporting Waxman, Illinois Democrat Jan Schakowsky held up a big bag of Utz potato chips, pointed to the rectangular box on the package listing calories, cholesterol and saturated fat content, and declared, "Because of Henry we have this."

She then held up an amber-colored prescription vial and an apple as emblems of Waxman's work to promote cheaper generic drugs and restrictions on the use of pesticides on fruit and vegetables.

Waxman's successful challenge was the culmination of a rivalry with Dingell that dates back to the 1980s, when the two clashed on some environmental issues. An uneasy truce collapsed this year when Dingell revived a proposal to bar states such as California from setting tougher vehicle emissions standards than the federal government.

Waxman said it was a personal affront and vowed that he had Dingell would "have a fight" over it.

"This has been coming for a long time," Solis said.

Michael Teitelbaum contributed to this story.

Friday, November 21, 2008

GOP urges Waxman to drop support of California emissions limit

David Shepardson / Detroit News Washington Bureau

WASHINGTON -- Republicans wasted no time in urging the new chairman of the House Energy and Commerce Committee to back automakers.

House Republican Leader John Boehner of Ohio wrote the new chairman of committee, Rep. Henry Waxman, D-Calif, on Friday urging him to reconsider his support a bill to allow California and 13 other states to impose a 30 percent cut in tailpipe emissions by 2016.

The letter came a day after Waxman defeated Rep. John Dingell, D-Dearborn, who had been the top Democrat on the panel since 1981.

Dingell has been a stalwart ally of automakers, who has opposed the efforts by California.

California wants to require passenger cars and other vehicles under 3,750 pounds to average 43.7 mpg and light trucks 26.6 mpg by 2016, but the Environmental Protection Agency denied the states a waiver under the Clean Air Act in December 2007 to do so.

Boehner said the requirements "would effectively bar the American auto manufacturers from competing in the largest market in America, unless they make substantial changes in manufacturing that would increase costs to consumers, making the 'Big 3' even less competitive and making their collapse even more likely," Boehner wrote. "This regulatory assault would come at a time when our struggling auto industry can least afford it. With millions of jobs at stake and tens of billions of taxpayer dollars at stake, I am respectfully requesting your assurance that you will not use your new post to move this legislation through Congress."

Karen Lightfoot, a spokeswoman for Waxman, didn't return a call or e-mail seeking comment.

Waxman co-sponsored a bill with 77 other House Democrats to overturn the EPA's rejection introduced in March, which was referred to an Energy and Commerce subcommittee. It never received a hearing.

The Senate Environment and Public Works Committee approved a similar bill in May, but it was never taken up by the full Senate.

President-elect Barack Obama as a candidate committed in writing to granting the waiver.

Mary Nichols, chairwoman of the California Air Resources Board, said in May she expected the waiver to be granted on Jan. 21, 2009 -- the day after the new president was sworn in.

Dingell strongly opposes allowing states to set their own emissions standards -- a move that put him at odds with California Democrats, including the state's two senators, Dianne Feinstein and Barbara Boxer and House Speaker Nancy Pelosi.

You can reach David Shepardson at (202) 662 - 8735 or dshepardson@detnews.com.

THE PLANK
by Michelle Cottle, Christopher Orr, Jason Zengerle, and the TNR Staff

21.11.2008

Is Carbon Legislation Too Complex For Its Own Good?

It's going to be tough getting any bill that reduces U.S. greenhouse-gas emissions through Congress in the next two years, and scores of different legislative strategies to do so are no doubt being dreamed up as we speak. As we've been reporting here, Democrats like Barbara Boxer and Jeff Bingaman have talked about the need to put out a "streamlined" cap-and-trade bill that's less complex than the 548-page Lieberman-Warner behemoth that died in the Senate this summer. But what exactly would a simpler bill look like? Keith Johnson of The Wall Street Journal rightly questions whether a streamlined bill is even possible—and whether it'd actually be easier to pass:

> But establishing economy-wide limits on greenhouse-gas emissions, and a market to trade those emissions rights, is a rather complex task in its own right. At the same time, the kinds of things that make cap-and-trade bills complex also make them politically palatable to a broader audience, making them easier to pass, if harder to understand and implement.
>
> For example: The question of whether to sell or give away emissions permits can make the difference between securing broad support from business or fighting it tooth and nail. If they're sold, what to do with the proceeds? Spend them on energy research, or refund the money to Americans hit by higher energy prices? Do certain sectors like steel, aluminum, chemicals and the like need special protection so they don't flee for balmier shores? Does the government need to establish permit price floors and ceilings to calibrate the bill's impact? How complicated should the "banking and borrowing" of emissions permits be to allow business to adapt to the new regulations and shifting economic conditions?

Those are all very good questions. Now, there are number of "simple" climate bills floating around in Congress—Rep. Pete Stark has a carbon-tax bill that runs at just six pages. Bingaman wrote a cap-and-trade bill that, while criticized for having weak CO2 reduction targets, was only about 100 pages long. But once the horse-trading starts, these bills naturally get more complicated—for instance, during the Lieberman-Warner debate, the bill's sponsors needed to add $4 billion in allowances for coal-burning rural cooperatives in Montana and Virginia to win support from Senate Finance Chair Max Baucus and, for that matter, Warner himself. And so on. Coalition-building makes things more complicated. Handouts help grease the skids. That's how you get to 548 pages very quickly.

Likewise, it's all well and good for cap-and-trade advocates to say, "Well, let's just auction off all of the pollution permits and rebate the proceeds to consumers—that'll make things simple." But, as Johnson says, auctions increase opposition from business groups, who want to get pollution permits for free so that they can reap profits from this whole scheme. (Here's a simple explanation of allocating vs. auctioning. Interestingly, Obama's new OMB director, Peter Orszag, is a major proponent of having the government auction off pollution permits rather than giving them out for free—indeed, many experts believe that messy and inaccurate allocation procedures help explain why Europe's emissions-trading scheme stumbled so badly at first: The EU gave away too many permits, which meant that companies didn't have to make meaningful reductions at first.)

Alternatively, Congress could do what California did in passing its landmark climate legislation in 2006, setting general targets for reducing greenhouse-gas emissions and leaving most of the difficult implementation decisions up to the EPA—or some sort of newly created, non-political Federal Reserve Board-type entity that would figure out how to create safety valves, permit banks, floors and ceilings for carbon prices, support for various effect industries... Would that make a climate bill easier or tougher to pass? I'm not sure. A bill that deferred thorny questions to some other agency would certainly have never passed muster with **John Dingell**, who was famous for his fastidiousness during markups—he wanted Congress to spell out every last detail. Then again, Dingell's not the House energy chair anymore.

--Bradford Plumer

Sunday, November 23, 2008

Nolan Finley

Liberals ready to take over Washington

As they await his ascension, Republicans are reassuring themselves that President-elect Barack Obama, worried about winning re-election in four years, will shake off a lifetime of liberal allegiance and govern the nation from the middle.

They're delusional. Little that Obama has said or done since Election Day supports that theory. Rather, there's every indication that Obama will enthusiastically lead the liberals who now firmly control Washington in enacting a far-left agenda.

Take as proof last week's unwarranted dumping of Dearborn's John Dingell as chairman of the House Energy and Commerce Committee. The libs scored their first major victory by replacing the moderate Dingell with environmental extremist Henry Waxman of California, and Obama didn't intervene.

That's because his own views on the environment fall closer to Waxman's than to Dingell's. He's already promised to rescind the executive order opening Utah's promising oil shale fields to exploration and will fully undo the domestic oil production expansion Democrats reluctantly agreed to before the election.

Since the failed presidency of Jimmy Carter, most Democrats who've won office have done so by dodging the liberal label and declaring themselves pro-growth moderates. Even true liberals eschewed that word, insisting that they be called "progressives."

And while Obama hasn't embraced the liberal label, he has endorsed the ideology.

Listen to what he's saying. On the economy, he's calling for a stimulus package that will create jobs through massive government spending on new projects and programs, rather than by cutting taxes and improving the business climate. Start packing, Adam Smith; welcome home, John Maynard Keynes.

Also on his early schedule is a promise to push through the Freedom of Choice Act, which will exempt abortion from all reasonable regulation by the states.

Big Labor has been assured he'll fight to make it easier to organize workers and harder to adopt free trade agreements.

His early appointments indicate he'll staff his administration with Washington's old Democratic insiders, rather than the fresh new faces voters might have thought they'd get when they plunked for change.

And he'll use the economic collapse as cover for tighter regulation of industries ranging from banking to automotive.

Still, commentators continue to praise Obama for his moderation. His plans qualify as moderate only if the whole political map has tilted sharply to the left.

For nearly 30 years, liberals have been waiting for their time to get back into the light. It's here, and Obama is their sun.

Voters can't claim to be misled when the historically discredited policies Obama is promising inevitably go bust. He told them exactly what he was during the campaign, and they chose either not to hear him or to pretend the left was really the middle.

I've quoted H.L. Mencken many times since the election and will do so again:

"Democracy is the theory that the common people know what they want and deserve to get it good and hard."

Nolan Finley is editorial page editor of The News. Reach him at nfinley@detnews.com or (313) 222-2064. Watch him at 8:30 p.m. Fridays on "Am I Right?" on Detroit Public TV, Channel 56.

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Coal industry, utilities ponder future under Obama

By JIM SUHR

AP Business Writer

2:51 PM CST, November 21, 2008

ST. LOUIS

Bill Raney considers coal golden. After all, the black rock fuels half of the nation's electrical generation.

But the West Virginia Coal Association's president and others in the industry say they've received mixed messages about president-elect Barack Obama's support for coal-fired power.

Obama and vice president-elect Joe Biden both have said they support finding cleaner ways to burn coal. But during the campaign, Obama told a newspaper that electricity rates could soar under his energy plan, while Biden told a voter in Ohio that "we're not supporting clean coal" -- though he has said the U.S. should develop clean coal technology and export it to China.

"It's the frustration of uncertainty, based probably on the lack of understanding of how important a component of America's energy structure coal is," Raney said.

Others say they see little reason to worry.

Obama comes from Illinois, ranked ninth among coal-producing states, and supported its bid for the FutureGen experimental coal-fired power plant that would store emissions of carbon dioxide underground. After the plant was awarded to Mattoon, Ill., the Bush administration walked away, citing costs that had ballooned to $1.8 billion.

What's more, some key Democrats are from coal states. Illinois Sen. Dick Durbin is the Senate's No. 2 Democrat. Ed Rendell, former chairman of the Democratic National Committee, is governor of Pennsylvania, a big coal producer and home to steel mills that rely on the fossil fuel.

"All of these people who are some of the strongest supporters of coal in the U.S. Congress and in the governor's office ... have supported and worked hard for President-elect Obama," said Cecil Roberts, president of United Mine Workers, which endorsed Obama last spring. "And I don't think he's going to let those folks down."

Luke Popovich, a spokesman for the National Mining Association, a trade group that includes many of the nation's biggest mining-equipment makers, said he believes Obama will be pragmatic about the need to keep coal in the nation's energy mix.

"He presumably would be sensitive to the impacts of energy policies on the economy given the perilous state of the economy," Popovich said. "And he's certainly shown an exceptional ability to listen to and to hear what voters want, and what we think voters said they wanted was practical solutions."

An Obama adviser said the president-elect remains committed to developing clean-coal technology.

Obama has said he wants to create five coal-fired demonstration plants that would capture carbon emissions and store them underground.

The president plays a pivotal role in shaping the nation's energy policy, naming top officials at the U.S. Environmental Protection Agency, Office of Surface Mining Reclamation and Enforcement and U.S. Army Corps of Engineers. And on Capitol Hill, Democrats have padded their majorities in both chambers.

"So when the music stops, who will be chairing the various committees with jurisdictions over coal? That will also be critical," Popovich said.

Some of that jockeying on Capitol Hill already is under way.

Democrats on Thursday steered the House toward more aggressively tackling global warming and other environmental problems, choosing California liberal Henry Waxman to head the House's Energy and Commerce panel.

Waxman replaces Michigan Rep. John Dingell, a longtime supporter of Detroit automakers and other big industries, including electric utilities. Waxman this year signed onto legislation that would ban any new coal-fired power plants built without technology to capture carbon dioxide.

John Thompson, an Illinois environmentalist with the Boston-based Clean Air Task Force, credited Obama with making clean-coal technology "clearly" a priority. But he said the U.S. also should make use of carbon-capture technology already available.

"If we don't change the way coal is used, it's gonna kill us," he said. "We're running out of time."

Yet uncertainty lingers, often tied to Obama's statement to the San Francisco Chronicle's editorial board in January that his proposed cap-and-trade system to control greenhouse gases -- which would set an overall emissions limit, then require polluters to buy allowances at public auction -- would be "as aggressive if not more aggressive than anybody else's out there."

He also told the newspaper that electricity rates would increase, and coal-fired plants that did not reduce pollution could go bankrupt because of the costs of buying pollution allowances.

Obama's energy plan includes mandatory reductions of greenhouse gas emissions to 80 percent below 1990 levels by 2050. He also proposed a 10-year $150 billion fund for biofuels, wind, solar, plug-in hybrids, clean-coal technology and other "climate-friendly" measures, and would require utilities to produce 25 percent of power from renewable energy by 2025.

At St. Louis-based coal giant Peabody Energy, spokesman Vic Svec told the blog bobmccarty.com earlier this month "there is obvious cause for alarm when political leaders acknowledge that under onerous cap-and-trade bills that limit coal use, `electricity costs would skyrocket."'

But Svec told the AP this week that Obama's comments to the San Francisco newspaper are nearly a year old, and since then Obama has voiced growing support for clean-coal technologies -- including FutureGen, the project that includes Peabody as a potential partner.

"This may seem counterintuitive, but we are eager for the new administration in terms of their support for coal and their support for advancement of carbon capture and storage technology," Svec said.

Popovich, from the mining trade group, said he suspects that the faltering U.S. economy will make Obama reluctant to mess with "indispensable" King Coal.

"I would say there's some cautious -- underscore cautious -- optimism," he said. "You're not going to help the American economy by hurting coal production and coal utilization."

Obama's Coal Stance

November 21, 2008

Ken Silverstein, EnergyBiz Insider
Editor-in-Chief

Read More Online: www.energycentral.com/gobiz.cfm

President-elect Barack Obama can't win. Coal associations are skeptical of his energy plans because he is pushing carbon cuts before the technologies to fully achieve such aims have matured. Environmentalists are also cautious and contend that his advocacy of "clean coal" does not make sense.

Coal will continue to be an integral energy source. Improving and developing the tools to make it cleaner does not contradict alternative energy producing methods. The reality is that long-term energy demand will trend higher and therefore necessitate a diversified fuel mix. Each possibility must then be pressed to be its best. That includes coal, which will be under intensified pressure now that the Democrats control Washington.

Some clean coal technologies can reduce the level of harmful emissions by as much as 90 percent. Others have the potential to reduce greenhouse gas emissions by boosting power plant efficiencies and releasing carbon gases in a form that can be more easily captured and sequestered.

The environmental community balks and says that clean coal is a myth, emphasizing that scientists say that carbon capture and storage is unproven and decades away. The extraction of coal, they add, is an ecological nightmare. For these reasons, sustainable energy forms are the way to go.

For his part, Obama walked a fine-line during the presidential campaign. He told the San Francisco Chronicle in January that if regulatory limits are placed on carbon emissions, then it would discourage the building of traditional coal-fired plants. That is because utilities will then have to buy credits or add new technologies to comply with the limitations. In making his case, he used the term "bankrupt," which set off a firestorm among coal advocates.

In the same interview, however, the president-elect says that any notion that entertains the ridding of coal as a viable fuel source is an "illusion." Coal, in fact, provides more than half of the nation's electric generation mix. His campaign, however, was quick to put his remarks in the context of a cap-and-trade program.

Such a format would require utilities to meet specified emissions targets or else buy credits if they need to exceed those limits. The goal then is to get coal-dependent utilities to build modern plants that have been shown to minimize the level of harmful emissions and which also have the potential to capture and store carbon.

According to Obama's campaign web site, his administration will "use whatever policy tools are necessary, including standards that ban new traditional coal facilities ... a stringent cap on carbon will also make it uneconomic to site traditional coal facilities and discourage the use of existing inefficient coal facilities."

Workable Ideas

Obama had opposed the Bush administration's efforts to rewrite the nation's clean air laws in a way that critics said would make it easier for utilities to pollute. But he has also voted to finance innovative uses for coal, such as coal liquefaction that can be used as a motor fuel -- something opposed by the green movement, which says the technology does nothing to limit greenhouse gas emissions.

"Obama has stepped carefully when it comes to coal, aware there are political landmines on all sides," says Frank O'Donnell, head of Clean Air Watch. "He has made it clear he wants cleaner air and reduced global warming emissions. But he has also said coal must be a part of our energy future. Can we dramatically reduce carbon emissions while still producing most of our power from coal? No one really knows for certain."

Former rival John McCain, the primary sponsor of legislation mandating carbon caps, tried to capitalize on Obama's reference to "bankrupting" coal. While an environmental steward, the Arizona senator said also that he wanted to preserve coal-related jobs.

Those comments by McCain played well to the coal industry, which opposes compulsory carbon constraints. Any effort to enact such rules without first having commercially available technologies would hurt the economy and jobs, they say, adding that renewable energy has a vital role but will not supplant coal use.

The issue is also center stage in Congress where a key committee post has just been decided -- one that will determine the panel's legislative priorities and specifically what global warming policies are debated. Henry Waxman, D-Calif., who advocates stringent environmental rules, has just defeated long-time House Energy and Commerce Chair John Dingell of Michigan, who has pushed for more gradual cuts in carbon emissions.

"As we work to secure passage of federal climate legislation and provide for the technologies that will be needed to reduce greenhouse gas emissions worldwide, the *National Mining Association* also will seek to protect the more than 116,000 family wage jobs in U.S. coal mining and the millions of American consumers and businesses that rely on coal as an affordable, secure and reliable source of electricity," the trade group says.

The uncertainty is gripping the utility market place. Take Wisconsin, where state regulators there turned down a request by Wisconsin Power and Light's to build a 300 megawatt coal plant that could also burn up to 20 percent biomass. Regulators rejected the $1.26 billion facility, saying that the utility had less expensive options and that potential new carbon rules made the proposition too risky.

Environmental concerns will likely result in tougher rules and regulations for coal. And that, in turn, will help advance critical technologies -- the ones that could reduce greenhouse gas emissions. Industry is dubious. But the president-elect is committed and says that the campaign themes he has espoused are workable.

More information is available from Energy Central:

- Squaring Off on Energy - Presidential Candidates Offer Different Approaches, EnergyBiz, Sept/Oct 2008
- Coal's New Challenge - Technology is Crucial, EnergyBiz, July/Aug 2008

AdvertisingAge®

The Waxman Cometh

ANA: Appointment Will Lead to 'Super-Activated' Committee

By Ira Teinowitz

Published: November 24, 2008

WASHINGTON (AdAge.com) -- Now that Rep. Henry Waxman has been named chairman of the House Energy and Commerce Committee, many in the media and advertising industries are wringing their hands with worry. But it's not all bad news.

Henry Waxman
Photo Credit: Scott J Ferrell

Washington media-industry observers suggest that given Mr. Waxman's California district, a hotbed of entertainment ventures that encompasses Beverly Hills, West Hollywood and Santa Monica, the new chairman might be more receptive to examining copyright issues and perhaps less apt to take on new indecency fights.

But that's about the extent of the silver lining.

Here come the crusaders?
Media and advertising groups express concern about Mr. Waxman's past efforts to curb drug and tobacco advertising. The worry is that his new post heralds an era of new advertising restrictions,

especially as the House considers health legislation.

"It's not like they are replacing somebody who sat on the sidelines," said Dan Jaffe, exec VP of the Association of National Advertisers. "You have to consider that [Rep. John] Dingell was considered one of the more activist chairmen. But in the advertising sector, there is no one who has been more activist than now-Chairman Waxman."

He predicted the committee would become "super-activated."

Mr. Waxman, media observers suggest, could be more likely to examine product placement and consider limits on junk food and alcohol advertising. They caution, though, that Mr. Waxman's next move on these topics isn't clear.

Privacy may be in spotlight
Some consumer groups suggest he also could be more likely to examine privacy restrictions that would make targeted advertising more difficult for media companies and marketers.

Mr. Waxman is only one of the challenges on the horizon. The Obama administration is likely to bring in other regulators much more inclined to scrutinize media and advertising. Further, the leadership of the Senate Commerce Committee is changing hands, with Sen. Jay Rockefeller, D-W.Va., expected to take the reins. Mr. Rockefeller declined to comment on his plans.

Mr. Waxman, who now heads the House Oversight and Investigations Committee, ousted Mr. Dingell in a 137-to-122 vote by members of the House Democratic Caucus. A Michigan Democrat with close ties to the auto industry, Mr. Dingell is the longest-serving member in the House. The change had little to do with media issues. Mr. Waxman argued that he'd be a better choice to handle energy and health-care issues.

Mr. Waxman didn't unveil an agenda, and he also declined to announce whether he would retain any of the chairs of the committee's panels. Rep. Ed Markey, D-Mass., currently heads the panel that considers media legislation.

The observers suggested the leadership change would be felt both in the way the committee runs and the issues it takes up.

"This is going to be a huge change in style," said one media-industry official, who didn't want to be identified because he has to work with the new chairman.

Foe to tobacco, DTC
For years Mr. Waxman has been the House's most aggressive advocate of limiting tobacco advertising. He's also been hard on direct-to-consumer ads; two years ago, he and Mr. Markey proposed a three-year moratorium on campaigns for new prescription drugs. DTC had generated about $5 billion a year in advertising, but has lately been declining.

The impacts of those two issues was clearly the biggest immediate concern last week of media and ad groups, with most public comment coming from ad groups that have had the most past dealings with Mr. Waxman.

"Mr. Waxman is not a shrinking violet," said Mr. Jaffe.

Mr. Jaffe and Dick O'Brien, exec VP of the American Association of Advertising Agencies, said the Obama administration's push for health-care legislation would almost certainly lead the panel to examine ad curbs as part of any new laws.

While girding for a fight, their question was whether any drug-ad curbs could serve as precedents to attempts to limit other kinds of advertising. Fast food is one industry that might receive closer scrutiny; a study last week suggested that elimination of fast-food ads would reduce childhood obesity.

A second media industry lobbyist said what's not clear is whether Mr. Waxman's past focus on health issues would make him open to also examining limits on food ads or even ads for gas-guzzling cars.

LEADING THE NEWS

PRINT

Pelosi plans to keep global warming panel

By Mike Soraghan
Posted: 11/21/08 01:01 PM [ET]

House Speaker Nancy Pelosi (D-Calif.) plans to keep the special global warming subcommittee she created two years ago, even though one of the key reasons for creating it is gone.

Pelosi created the Select Committee on Energy Independence and Global Warming as an end-run around Energy and Commerce panel Chairman John Dingell (D-Mich.), the champion of the auto industry. Pelosi calls reducing climate change her "flagship issue," and Dingell was not considered sufficiently supportive of her priority.

But House Democrats on Thursday ousted Dingell in favor of Pelosi's fellow Californian, Rep. Henry Waxman, a more aggressive advocate of climate change regulation. Though her aides denied it, many saw Pelosi's hand in Dingell's ouster.

Still, Pelosi wants to keep the global warming committee, and she wants Rep. Edward Markey (D-Mass.) to keep running it.

"We do have a need for one more term, because our work is not done," Pelosi said at her weekly press conference with reporters. "We do not have the climate change legislation that I had hoped we might be closer to, at least at this point."

The committee has no authority to send bills to the floor, and Pelosi said she does not want to change that. She said she views the committee as a "scientific resource."

The committee's authority to hold hearings and issue reports expired at the end of October, and its funding runs out at the end of the year. The committee would be renewed by including it in the rules package for the next Congress.

Critics of the Markey committee said its hearings and other work were repetitive of the work done by Dingell's Energy and Commerce Committee.

Close Window

Saturday, Nov. 22, 2008

Comments (0)

GAO criticizes DOE oversight

By Annette Cary, Herald staff writer

Congress should consider giving authority to the Nuclear Regulatory Commission to regulate all or some Department of Energy nuclear facilities if DOE does not improve oversight of safety, according to a new report by the Government Accountability Office.

DOE strongly objected to the report, sending the GAO 21 pages of single-spaced comments pointing out what it said were inaccuracies, faulty premises and flawed recommendations.

The GAO report focused on DOE's program to offer independent safety oversight of its high hazard nuclear programs at Hanford and elsewhere, most recently through the 2-year-old Office of Health Safety and Security, or HSS office.

The office is intended to be independent of program offices responsible for nuclear cleanup work as a way to avoid potential conflicts of interest and help to ensure public confidence in DOE's ability to regulate itself.

The HSS office was formed in 2006 by combining most of the responsibilities of the Office of Environment, Safety and Health and the Office of Safety and Security Performance Assurance. At the time Sen. Patty Murray, D-Wash., called the change another step by the Bush administration "to weaken the health and safety protections our workers rely on."

The GAO review questioned whether that HSS office meets requirements the GAO believes are needed for effective independent oversight.

The head of the HSS office is not comparable in rank to the program office heads, the report said. It has no routine presence at DOE field sites after DOE eliminated the site representatives because they were considered duplicative and less effective than program office staff.

The HSS office lacks some technical expertise in nuclear safety review, in part because of vacant positions, but also because DOE transferred some technical experts to program offices, the report said.

The report criticized the HSS office's enforcement actions for not preventing some nuclear safety problems from recurring, saying DOE viewed the HSS office as secondary to the program offices.

The report also criticized the HSS office for restricting public access to nuclear safety information. Restrictions were due to security concerns and to avoid alerting contractors and the program offices to potential enforcement actions, the report said.

"In our view, DOE needs to strengthen HSS as an independent regulator of nuclear safety," the report said. "We believe that increasing HSS's involvement in nuclear safety could increase public confidence that DOE can continue to self-regulate its high-hazard nuclear facilities and decrease the likelihood of a low-probability but high-consequence nuclear accident."

The GAO called for changes, including increased presence at DOE sites, strengthening enforcement actions such as fines to prevent recurring violations and establishing access to unclassified appraisal reports.

If the energy secretary does not act on those recommendations, Congress should consider shifting responsibility to the Nuclear Regulatory Commission for either all high-hazard DOE nuclear facilities or just the newly constructed ones, the GAO said. Now the NRC regulates some federal nuclear facilities and all commercial, industrial, academic and medical users of nuclear materials.

As an alternative, DOE could give the Defense Nuclear Facility Safety Board resources and authority to enforce nuclear safety rules and directives, the report said. However, it noted that the board has not been enthusiastic about that plan.

In the DOE response to the report, it objected to a recommendation that it maintain a presence at DOE sites with nuclear facilities. That would be expensive and redundant, it said.

Maintaining a presence is "an essential component of a nuclear safety oversight organization that is supposed to function independently from the program offices," the GAO countered.

The GAO evaluated HSS's responsibilities in isolation rather than as one element in DOE's approach to safety, said DOE.

"The GAO draft report seems to be predicated on the erroneous premise that DOE program management is inherently ineffective and that all DOE oversight must be performed by HSS," wrote Jeffrey Kupfer, acting deputy energy secretary.

Throughout the report, GAO selectively presented isolated information to support preconceived views and ignored evidence to the contrary, Kupfer said. For instance, the director of HSS is a career professional rather than a political appointee to add important continuity to the office, he said.

"The report appears to have been developed by individuals who have limited expertise in nuclear safety and minimal experience with DOE's approach to nuclear safety," Kupfer said.

The report was sent to Rep. John Dingell, chairman of the House Committee on Energy and Commerce, and Rep. Bart Stupak, chairman of the committee's Subcommittee on Oversight and Investigations.

The GAO report confirmed their concerns that safety has taken a backseat at DOE because the offices responsible for safety also are responsible for productivity, they said in a statement.

"Without strong independent oversight, self-regulation is bound to fail," Dingell said.

washingtonpost.com

Rising Hope For Fixing Health Care

By David S. Broder
Sunday, November 23, 2008; B07

Things are looking up for substantive reform of America's troubled health-care system.

No one who knows the history of such efforts, from Harry Truman's administration through Bill Clinton's, needs to be reminded of the difficulties that inevitably confront any plan to overhaul one-seventh of the U.S. economy and bring high-quality medicine to millions of the uninsured.

But developments at both ends of Pennsylvania Avenue last week -- and across the country -- pointed up both the urgency of the problem and the prospects for seeing significant action.

When Barack Obama's transition team let out word that former Senate majority leader Tom Daschle would be his choice to run the Department of Health and Human Services and to quarterback his work on health reform, it signaled that Obama is serious about his campaign promise to make that issue a first-term priority.

Daschle would not leave a lucrative job at a law firm to twiddle his thumbs. Only with a clear understanding that the new president will put his own political capital at risk in this cause would the South Dakotan sign up for the job.

Daschle can be of great help to Obama in achieving the goal. He has made his own in-depth study of health-care issues and brings a genuine passion to the subject. And he knows the Senate, where past efforts have foundered.

There are positive signs within the Senate as well. Max Baucus of Montana, the chairman of the Finance Committee, one of the two main centers of Senate action, moved first by releasing a detailed outline of his preferred piece of legislation. Edward M. Kennedy of Massachusetts, the chairman of the other committee of jurisdiction -- Health, Education, Labor and Pensions -- quickly asserted his right to be at the center of action. He organized three task forces within his committee and reached out to Baucus to suggest that their staffs start exchanging ideas as well.

One issue that could have clouded House prospects was resolved when the Democratic caucus voted to make Henry Waxman of California chairman of the Energy and Commerce Committee, replacing John Dingell of Michigan. Both are skilled legislators; Waxman is closer to Speaker Nancy Pelosi.

A fast start is important because it takes untold hours to work through all the complex issues involved in comprehensive health care. When Bill Clinton delayed in getting Hillary Clinton's legislative proposal up to Capitol Hill until the end of 1993, his first year in office, he made it much easier for opponents to throw up roadblocks.

The architects of the Clintons' defeat were Newt Gingrich and Bob Dole, then the leaders of GOP forces in the House and Senate. Gingrich has now become an advocate for systemic change in the way health care is financed and delivered. His approach differs from Obama's, but it starts from the same premise: The current system is too wasteful and unproductive to be sustained.

And Dole, who in 1994 moved belatedly to opposing the Clinton effort as his own presidential ambitions rose, told me last week that today's circumstances make a repetition of those scorched-earth Republican tactics inappropriate. Instead, he is reminding Republicans of his own contributions to bipartisan successes -- the 1983 Social Security rescue and the passage of the Americans With Disabilities Act in 1990.

Dole and Daschle have both worked for the firm of Alston and Bird for the past few years, and it would not surprise me if Dole finds ways to be helpful to Daschle and Obama in the coming fight.

Some have argued that Obama will be forced to delay his promised effort at health-care reform, either because of the urgency of the economic problems facing the country or because there will be no money in the budget to pay for such an enterprise.

But every indication is that he will not wait. Indeed, he could well argue that the current plight of the Big Three automakers stems in part from the burden that Ford, General Motors and Chrysler are carrying for the failures of our employer-based health-care system. One of their basic competitive disadvantages stems from the fact that Japanese and other foreign carmakers are operating in countries where government and society as a whole -- not individual companies -- pay the costs of health care.

No question, it will be a tough fight. But you can see the possibility of success.

davidbroder@washpost.com

The BUSINESS of TELEVISION
BROADCASTING & CABLE

Democrats Voice Concern on DTV Readiness

By John Eggerton -- Broadcasting & Cable,11/21/2008

Democratic legislators are registering increasing concerns about the DTV transition.

Michigan Democratic Congressman **Bart Stupak** said in an interview for C-SPAN's Communicators series that "I think people are aware of it, but I don't think that we have done enough to make sure we are ready for it."

Stupak says he doesn't think enough has been done to make sure everyone has a DTV-to-analog converter box or knows how to use it, and says "there will be gaps in coverage throughout the nation."

That comes as Senator Jay Rockefeller (D-W.Va.), soon-to-be chair of the Senate Commerce Committee, pledged that he would push for a more coordinated effort and similarly complained about how the program has been run.

Stupak is a member of the **House Energy & Commerce Committee**, the Telecommunications Subcommittee, and is chairman of the Investigations & Oversight Subcommittee, which has been investigating the FCC over complaints about how it is run.

Asked what he thinks should be done, or should have been done, to help with the transition, Stupak said he thinks the 90-day expiration date on the coupon should have been extended, noting that constituents have had coupons in hand, but the stores didn't have the boxes.

Saying "this is not going to be a seamless transition," he called for a task force, including mobile trucks with antennas, to check out reception issues. He said the FCC needs to get much more aggressive. "I just fear that come the middle of February, when we flip that switch to digital television, there are going to be a lot of fuzzy sets out there and our phones are going to erupt."

Stupak said he wished the FCC would come up and test in his district in Upper Michigan, where there are iron ore deposits that already adversely affect cell phone service and TV reception: "Each state has some unique factors that need to be looked at, and I don't think enough of that has been done."

But Stupak said he did not see the Feb. 17, 2009, date changing.

Stupak said that with **Henry Waxman** atop the **Energy & Commerce Committee**, he expects **Ed Markey** to be the Chairman of the Telecommunications & Internet Subcommittee, so he doesn't think there will be that much change.

Stupak, who had been a big backer of fellow Michigan Democrat **John Dingell**, who Waxman unseated as chairman, said he wasn't sure what Rep. Waxman, of California, brought to the table in terms of communications policy: "I don't remember him ever being on the subcommittee with us. When we were doing hearings on DTV, the satellite home viewer act, I don't remember him taking an active role.

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U.S. Agrees to Rescue Struggling Citigroup

Plan Injects $20 Billion in Fresh Capital, Guarantees $306 Billion in Toxic Assets

By DAVID ENRICH, CARRICK MOLLENKAMP, MATTHIAS RIEKER, DAMIAN PALETTA and JON HILSENRATH

The federal government agreed Sunday night to rescue Citigroup Inc. by helping to absorb potentially hundreds of billions of dollars in losses on toxic assets on its balance sheet and injecting fresh capital into the troubled financial giant.

The agreement marks a new phase in government efforts to stabilize U.S. banks and securities firms. After injecting nearly $300 billion of capital into financial institutions, federal officials now appear to be willing to help shoulder bad assets, on a targeted basis, from specific institutions. (Terms of the deal)

Citigroup is one of the world's best-known banking brands, with more than 200 million customer accounts in 106 countries. Its plunging stock price threatened to spook customers and imperil the bank.

If the government's rescue plan is a success, it could help bring stability to the entire financial system. If it doesn't, even deeper doubts about the industry's future could spread.

After a weekend of marathon talks between Citigroup executives and top federal officials, the parties late Sunday night nailed down a package in which the government will help protect the company from its riskiest assets.

Under the plan, Citigroup and the government have identified a pool of about $306 billion in troubled assets. Citigroup will absorb the first $29 billion in losses in that portfolio. After that, three government agencies -- the Treasury Department, the Federal Reserve and the Federal Deposit Insurance Corp. -- will take on any additional losses, though Citigroup could have to share a small portion of additional losses.

The plan would essentially put the government in the position of insuring a slice of Citigroup's balance sheet. That means taxpayers will be on the hook if Citigroup's massive portfolios of mortgage, credit cards, commercial real-estate and big corporate loans continue to sour.

In exchange for that protection, Citigroup will give the government warrants to buy shares in the company.

In addition, the Treasury Department also will inject $20 billion of fresh capital into Citigroup. That comes on top of the $25 billion infusion that Citigroup recently received as part of the the broader U.S. banking-industry bailout.

The government and Citigroup had hoped to unveil the plan early Sunday evening, but negotiations dragged on longer than expected. Treasury Secretary Henry Paulson began briefing Congressional leaders about the plan later in the evening.

Asian markets were mostly lower in early Monday trading as news of the discussions surfaced. Japan's markets were closed for a holiday.

The sweeping rescue plan underscores how concerned the government had become about letting Citigroup's fortunes continue to deteriorate. The company has been pounded by mortgage-related losses and is on track to suffer further from the weakening economies in the U.S. and around the world.

Last week, with Wall Street rapidly losing confidence in the company, its shares tumbled 60% to a 16-year low. Still, Citigroup Chief Executive Vikram Pandit and other top executives insisted last week that the company remained on solid financial footing.

While Citigroup's recent woes don't appear to be as severe as the problems that ultimately felled Bear Stearns Cos. and Lehman Brothers Holdings Inc., the U.S. government seems to have decided it can't afford to gamble on whether Citigroup will weather the storm.

At the same time, the Treasury Department is already facing a political backlash over the use of taxpayer funds to stabilize the banking sector, and has nearly exhausted the $350 billion that Congress allotted to the first phase of the industry rescue.

The planned arrangement with Citigroup appears to be an attempt to thread that needle by giving the company some breathing room until markets calm.

In addition to $2 trillion in assets Citigroup has on its balance sheet, it has another $1.23 trillion in entities that aren't reflected there. Some of those assets are tied to mortgages, and investors have worried they could cause heavy losses if they are brought back on the company's books.

The assets affected under the government plan are largely loans and securities backed by residential and commercial real estate. Such assets have been devastated by the meltdown of the housing markets and have started coming under even greater strain in recent weeks as the U.S. economy slows.

"With these transactions, the U.S. government is taking the actions necessary to strengthen the financial system and protect U.S. taxpayers and the U.S. economy," the Treasury Department, Fed and FDIC said in a joint statement issued late Sunday.

Even as they assured employees and investors last week that the company was on sound financial footing, Citigroup executives and directors knew they needed to do something fast to stabilize their company. By Friday, bank officials were hoping for a public expression of confidence from the government, believing that would help reassure clients and customers.

Top government officials, including the heads of the Treasury Department and the Fed, also started scrambling to draw up contingency plans in case Citigroup's troubles intensified.

On Sunday evening, government officials were locked in meetings to hammer out the final terms of an arrangement that will leave the government deeply enmeshed in the inner workings of one of the world's largest financial institutions.

The government didn't require Citigroup to make changes to its executive ranks or its board in return for government assistance. However, Citigroup agreed to "comply with enhanced executive compensation restrictions," the government said Sunday, and also will implement a government-backed plan to modify distressed mortgages that is designed to curb foreclosures.

Despite the unprecedented scope of the rescue plan, it's not clear whether it will be enough to stabilize Citigroup. The roughly $300 billion pool of assets that are included in the rescue plan represent only a sliver of the company's more than $3 trillion in assets, including its holdings in off-balance-sheet entities.

Jitters about such "hidden" assets helped trigger the nose-dive in Citigroup's stock last week. Among the off-balance-sheet assets are $667 billion in mortgage-related securities.

Citigroup has tried repeatedly to rid itself of its exposure to those assets -- and nearly hammered out a similar arrangement with the government nearly two months ago.

In late September, the company reached an agreement for a government-financed acquisition of Wachovia Corp. Under that planned deal, Citigroup and the government were going to divvy up the losses on $312 billion of assets, with Citigroup absorbing the first $30 billion in losses and the government shouldering the remainder.

Citigroup described that arrangement as intended to insulate it from Wachovia's risky mortgage assets. But Citigroup also would have been able to unload some of its own assets, according to people familiar with the matter.

That deal unraveled in less than a week, after Wells Fargo & Co. emerged with a higher bid that didn't require direct government backing. That deprived Citigroup not only of a way to dump its risky assets but also of a deep pool of deposits, which would have substantially strengthened its access to stable low-cost funding.

Shortly after the Wachovia deal fell apart, Citigroup pitched the idea to the government of it helping to protect the company against some of its losses. Citigroup executives argued that the government should help the company after Wachovia slipped away, according to a person familiar with the matter. But federal officials balked at the idea.

As recently as one month ago, Citigroup had hoped to be able to unload some of those assets to the U.S. government through its Troubled Asset Relief Program, according to people familiar with the bank's plans. But when Treasury Secretary Paulson earlier this month shelved plans to use TARP to purchase banks' bad assets, that option vanished.

Last Monday, Mr. Pandit said in a meeting with employees that Citigroup was scrapping plans to try to sell about $80 billion in risky assets. Investors and analysts interpreted the move as a sign that Citigroup either was unable to sell the assets, or would have had to incur hefty losses in the process.

Two days later, Citigroup announced it was buying $17.4 billion in assets from its structured-investment vehicles -- complex entities whose holdings included risky mortgage-linked securities -- and faced a $1.1 billion loss due to their diminished values.

The back-to-back moves, coupled with existing fears about Citigroup's massive off-balance-sheet holdings, stoked investor fears that Citigroup could be swamped by toxic assets flooding back onto its books. That helped ignite the current panic, which was exacerbated by a drumbeat of bleak economic news.

Government officials could face requests from other banks for similar help shoring up their balance sheets. Banks, hedge funds, and private equity firms have urged Capitol Hill and government officials to restart the asset-purchase program in recent weeks.

"The problem is that other banks would want to get in line" for such government support, says Thomas B. Michaud, a vice chairman of investment bank Keefe, Bruyette & Woods Inc. "Is there enough money to do that?"

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OPINION | NOVEMBER 22, 2008

Not Everything Can Be Too Big to Fail

There's a lot of loose talk about 'systemic' risk.

By PETER J. WALLISON

There is a really bad idea circulating in the nation's capital. Of course, that's not surprising -- but when it's endorsed by the Treasury secretary, we'd better pay attention.

This week, Henry Paulson said in an interview with the Washington Post that he wants the Federal Reserve to be able to regulate and ultimately take over *any* failing financial institution that it considers crucial -- including hedge funds. This echoes a notion that has been endorsed by executives of some industry associations, that to prevent a recurrence of today's financial crisis it will be necessary to impose tough new regulations on financial institutions deemed "systemically significant."

If this approach were to be adopted in the panicked Washington of today, it would substantially change our financial system and guarantee -- rather than prevent -- future crises.

For starters, because the definition of a systemically significant institution is highly dependent on context, it's impossible to identify one in advance. Consider Drexel Burnham Lambert. When it failed in 1990 it was one of the largest securities firms in the United States, not much smaller in relation to the market at the time than Lehman Brothers was when it collapsed earlier this year. Yet Drexel's collapse, which happened when the market was functioning normally, did not put the financial system or the economy at risk.

On the other hand, when Germany's Herstatt Bank failed to meet its international payment obligations in the mid-1970s, that event caused a serious globalized payment-system crisis -- even though Herstatt itself would not have been on anyone's list of major financial institutions at the time.

And then there's Northern Rock in London. When it collapsed recently, the British government was forced to bail it out even though it was not considered significant before its depositors started to run. In fact, in today's fragile markets, almost any financial institution is systemically significant -- if what we mean by the term is that its collapse will stimulate fear about the stability of others.

In short, predicting the true sources of systemic risk in advance of their actual failure is probably impossible. But even if it could be done, should we want to?

The answer is no. An institution designated as systemically significant, or "crucial," would be marked as too big to fail. After all, that's what such a designation means -- that the institution's failure must be avoided because of its potential impact on the economy or financial system. But once we designate a financial institution as too big to fail, and regulate it as such, a lot of unpleasant things follow.

First, we will have created "moral hazard" and impaired market discipline. The markets will understand that a loan to a systemically significant institution will carry less risk than a loan to an institution that does not have this status. Accordingly, systemically significant institutions will have an easier time raising funds than others, will pay lower rates and grow larger than others, and it will be able to take more risks because of the absence of market discipline.

This in a nutshell is the story of Fannie Mae and Freddie Mac. The two companies were implicitly backed by the U.S. government, which in practical terms meant that they would not be allowed to fail. As a result, they were able to borrow as much as they wanted and take risks with those funds that they couldn't have taken unless the markets believed -- correctly as it turned out -- that Uncle Sam would stand behind them.

Second, systemically significant institutions would suddenly have an unfair competitive edge that would warp the market. Why? Because their lower funding costs would make them more profitable than others, and enable them -- as it enabled Fannie and Freddie -- to drive competitors from any markets they enter.

The effect of designating certain companies as systemically significant would cause a consolidation of the industries in which they are located, with the systemically significant companies gobbling up those that couldn't survive, and others seeking mergers simply to claim designation as systemically significant or too big to fail.

Finally, the support voiced in Washington for the idea of regulating systemically significant financial institutions is based on the fundamental misperception that regulation can prevent them from taking the huge risks their protected status would permit. This New Deal notion should be discarded.

Exhibit A is the banking system, now mired in the worst financial crisis since the Great Depression -- even though it has always been the most heavily regulated. Exhibit B is the S&L debacle less than 20 years ago. Thousands of S&Ls and more than 1,500 commercial banks collapsed in another memorable regulatory failure.

It is completely inexplicable -- after the blindingly obvious failure of bank regulation -- that Washington (and European Union) policy makers would now want to spread regulation beyond banking and into other financial institutions, including hedge funds, brokerage houses and others that the government designates as systemically significant. This would give the government the opportunity to pick winners in each financial industry -- ultimately creating

Fannies and Freddies everywhere. Among bad ideas, this one stands out.

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NOVEMBER 24, 2008

Obama Eyes $500 Billion in Stimulus; Paulson Weighs Ramping Up Aid Again

By JONATHAN WEISMAN, DEBORAH SOLOMON, and JON HILSENRATH

Aides to President-elect Barack Obama and President George W. Bush are rushing to craft measures to shore up financial markets and prevent a policy vacuum from further harming the economy during the transition of power between the two men.

Mr. Obama's team is putting together a new economic stimulus plan containing more than $500 billion in federal spending and tax cuts over the next two years, Obama aides and advisers said Sunday. That package would be far more aggressive than anything envisioned during the campaign.

Democratic leaders in Congress are preparing to rush passage shortly after New Year's to have a stimulus-plan bill ready for Mr. Obama to sign once he is inaugurated Jan. 20.

Meanwhile, Mr. Bush's outgoing Treasury secretary, Henry Paulson, is now considering a more activist stance in his final weeks in office than he had signaled as recently as last week. He is considering tapping the second half of the government's $700 billion financial-industry rescue fund, and rolling out new programs in response to worsening market conditions, according to people familiar with the matter.

Among other things, he is seeking ways to make it easier for households to borrow money. He is also looking for ways to reduce the burden of foreclosures on homeowners.

The moves came as officials at the Treasury and the Fed spent the weekend on yet another emergency rescue plan, this one for giant Citigroup after its stock fell 60% the past week. Citigroup's deterioration underscores the fragile state of markets and the economy during Washington's long transition of power.

Mr. Obama is planning a press conference Monday to introduce the leaders of his economic team, which is headed by Harvard economist Lawrence Summers, who will run the White House National Economic Council, and New York Federal Reserve Bank President Timothy Geithner, his choice for Treasury secretary.

The president-elect is likely to use the event to assure investors and consumers that he will take rapid, large-scale action in the coming weeks and months. The message will be: "This is an extraordinary time, and extraordinary responses are going to be needed," said one aide.

Mr. Obama is also expected to try to calm Wall Street worries about trying to rewrite the rules of existing aid to Wall Street, and excessive spending in his new administration, according to Obama transition officials.

So far, the main government response to the economic crisis has been the $700 billion Troubled Asset Relief Program, or TARP, designed to help banks and other financial institutions. Mr. Obama's economic-stimulus plan would be separate from that.

On Monday, Mr. Obama will likely offer for the first time an explicit pledge to honor all commitments already made by the Bush administration in the TARP program, without imposing new conditions even if there are changes are made to the program in the future. Obama officials also say the president-elect will promise to find spending cuts to try to keep short-term stimulus spending from ballooning the budget deficit over the long term.

While Mr. Obama is moving quickly to give markets unusually early clarity on what he'll do when he takes office in January, Bush aides are rethinking how they'll handle their final weeks in power.

The Bush Treasury is in the middle of injecting into banks some $250 billion of TARP funds, and Mr. Paulson had suggested earlier this month that he wasn't planning to do much beyond that before he leaves office in two months. Another $40 billion of the TARP money has been invested in American International Group, Inc., the giant insurer.

But last week's deterioration in the markets heightened concern at the Treasury that it might need to take confidence-boosting steps before Mr. Obama's team takes over. On Friday, Goldman Sachs Inc. revised down its projections for economic growth, saying the economy is in the process of contracting by 5% in the fourth quarter and would contract another 3% in the first three months of 2009. If Goldman is right, it would mark the worst performance since the 1982 recession, one of the deepest contractions since the Great Depression.

Goldman placed the blame largely on Washington. "The main reason for the downgrade to our forecast is the policy impasse that has developed in Washington and the tightening in financial conditions it has provoked."

Since winning the presidency Nov. 4, Mr. Obama has expressed reluctance to begin steering economic policy, repeatedly saying the country can have only one president at a time. Large-scale economic stimulus is all but impossible before Mr. Obama takes office, since Mr. Bush has said he would oppose big new spending plans before he leaves the White House.

But Mr. Obama and his team have chosen in recent days to signal fairly explicitly that a sizeable boost will come as soon as he takes office.

Obama advisers decline to detail publicly just how large the stimulus would be. But several senior aides have pointed to analyst reports calling for $500 billion to $700 billion to be injected into the economy.

In an appearance before chief executives in Washington earlier in the week, Mr. Summers suggested stimulus of that size was possible. He also said stimulus should be "speedy, substantial, and sustained" -- a shift in tone from his calls earlier in the year for "temporary" and "targeted" aid. "We're going to need impetus for the economy for two to three years," he now says.

House Majority Leader Steny Hoyer said the new Congress, which will be dominated by Democrats, will have a stimulus package completed "during the first couple of weeks of January."

Mr. Obama's selection of Mr. Geithner for Treasury secretary has, in effect, given his administration a greater role in the current handling of the financial crisis. That's because Mr. Geithner has already been a close partner of Mr. Paulson in managing the bailouts in his role as New York Fed president.

The selection of Mr. Geithner is providing comfort to Treasury officials, who view his selection as an indication they will be able to push ahead with using more of the $700 billion rescue fund to respond to the financial crisis than perhaps Mr. Paulson had suggested last week.

Treasury spokeswoman Michele Davis on Sunday said Mr. Paulson had always planned to implement new programs when they were ready, and never ruled out tapping the remaining half of the $700 billion fund. "We're looking at a variety of programs to support the market and we'll implement them as soon as they're ready," she said.

Treasury's immediate focus is on establishing a program, along with the Federal Reserve, that would help increase the availability of auto loans, student loans and credit cards -- which Mr. Paulson believes will help alleviate strains in the consumer borrowing market.

A person familiar with the planning said the Treasury and the Fed have agreed on the structure of such a program and are working on the details, such as whether the Fed should buy assets itself or provide loans to entice private investors to buy securities. The Treasury is expected to contribute $25 billion to $100 billion to the program, which could be announced within a few weeks, this person said.

Treasury is continuing to look for a way to prevent more foreclosures on homeowners, including trying to improve a proposal floated by Federal Deposit Insurance Corp. Chairman Sheila Bair. Democratic lawmakers have been pressuring Mr. Paulson to use some of the $700 billion rescue fund to help people in danger of foreclosure.

Treasury had also been designing another capital-injection program aimed at financial institutions beyond banks, in addition to considering making more money available to banks that have already received a government infusion.

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Fed's Role in Crisis Is Giant, if Opaque

By Neil Irwin
Washington Post Staff Writer
Monday, November 24, 2008; A01

Wall Street analysts, congressional overseers and the media have parsed every detail of the Treasury Department's financial rescue program -- $250 billion and counting.

Largely outside public view, however, the Federal Reserve is lending far more than that amount -- $893 billion, roughly the equivalent of the annual economic output of Mexico -- to help a wide range of institutions weather the economic storm.

As of last week, the Fed's loans included $507 billion to banks, $50 billion to investment firms, $70 billion for money market mutual funds, and $266 billion to companies that use a form of short-term debt called commercial paper. It is considering a new program that would make billions more available to prop up consumer lending: auto loans, credit cards and the like.

In lending these vast sums, the Fed is essentially substituting its own unlimited ability to supply cash for that of private markets, which are not functioning normally. The central bank is even fulfilling some of the original goals of the Treasury Department's $700 billion rescue program by allowing financial institutions to use securities that are difficult to sell as collateral for loans.

"The existing system of lending is broken," said David Shulman, a senior economist at the UCLA Anderson Forecast, which analyzes economic trends. "The Fed is coming in to do that lending. That's why they call it the lender of last resort."

But unlike the Treasury's rescue package, which has elaborate disclosure requirements and oversight mechanisms, the Fed lending is occurring quietly and at the discretion of its five governors, as well as top officials of the 12 regional Fed banks. Timothy F. Geithner, president of the Federal Reserve Bank of New York and the Obama administration's expected nominee for Treasury secretary, has been a leading architect of the new lending programs.

Following a long-standing practice designed to protect investor and depositor confidence in the institutions it deals with, the Fed refuses to name the banks and other companies accessing the cash. It has also declined to specify which assets institutions have pledged as collateral in exchange for loans, a decision that has drawn skeptical questioning from Capitol Hill and at least one lawsuit under the Freedom of Information Act. Fed officials argue that any disclosure along those lines would create a stigma for banks and others that need to borrow from the Fed, making the programs less effective at jump-starting lending.

"There's a concern that if the name is put in the newspaper that such and such bank came to the Fed to borrow overnight for a good reason, that people might begin to worry: Is this bank credit-worthy?" Fed Chairman Ben S. Bernanke told Congress last week. "And that might create a stigma, a problem, and might cause banks to be unwilling to borrow."

Bernanke also said there is little chance taxpayers will lose money on most of that lending, because the central bank lends money only to institutions it views as sound and requires that the collateral borrowers put up be worth more than the amount of the loan.

Outside experts generally agree that Bernanke has been prudent in his decision-making, but they note that Fed lending to support the purchase of Bear Stearns and the government takeover of American International Group entails greater risk than the central bank usually takes on.

The expansion in Fed lending has come in the form of numerous new programs to inject cash into the financial system, attempts to combat a crisis in which banks and other firms are hoarding it. To enact those steps, the Fed has increased the size of its balance sheet and replaced the ultra-safe U.S. government bonds it normally keeps on its books with loans to banks and others.

A year ago, the central bank had assets of $868 billion, of which about 90 percent was in Treasuries. Last week, it had assets of $2.2 trillion on its books, of which 22 percent was in Treasuries. Much of the remainder represents the new lending to banks and other financial institutions. Even the weekly report that summarizes the Fed's financial position has grown -- to eight pages from four pages a year ago.

The Fed can essentially expand its balance sheet at will, reflecting its power to create money. Congress gave it even more leeway to do so in the bill that contained the $700 billion rescue package, by allowing the Fed to pay interest on bank reserves.

"People want to act like the Fed's balance sheet is limited," said Diane Swonk, chief economist at Mesirow Financial. "No, it's not. It's pretty much unlimited."

The Fed's lending achieves some -- but only some -- of the goals of the Treasury Department's original financial rescue plan. The Troubled Asset Relief Program, which is now focused on investing money in banks, was originally intended to focus on the purchase of mortgage-backed securities.

Although not purchasing such securities, the Fed has agreed to take them on as collateral. That has helped banks get access to cash. But banks are still exposed to further losses if the value of those assets continues to decline. And the lending is not jump-starting the market by serving as a buyer of last resort, which would be the goal of government purchases.

"It's kind of like TARP light," said Michael J. Feroli, an economist at J.P. Morgan Chase.

By expanding its lending, the Fed is engaging in a form of economic stimulus known as "quantitative easing," which is a way for a central bank to try to fuel growth even when it has cut short-term interest rates to nearly zero.

Fed Vice Chairman Donald L. Kohn acknowledged publicly last week that that is what the central bank is doing. Behind closed doors, Fed leaders are considering other ways they can spur economic growth beyond cutting their target for interest rates. (The federal funds rate, at which banks lend to each other, is currently 1 percent, and analysts widely expect it to be cut to a half-percent at the Fed's December policymaking meeting.)

Perhaps the most promising option would be for the Fed to start buying the debt of Fannie Mae and Freddie Mac, the government-sponsored mortgage finance companies. Such a move would also be expected to reduce mortgage rates.

The Fed has consistently rejected requests to disclose more information about which assets it is taking as collateral for its lending programs. Bloomberg News sued under the Freedom of Information Act this month, requesting the information; the Fed refused, responding that the information was protected because it is confidential commercial information, and because it is being kept by the Federal Reserve Bank of New York, which it argues is not subject to FOIA.

At a hearing last week, Rep. Spencer Bachus (R-Ala.) asked Bernanke: "When do you anticipate letting the public know" what assets you're taking? Bernanke then argued that disclosure would be counterproductive -- his answer, in effect, being never.

There is some reason for the Fed to keep quiet, said Shulman, of UCLA.

In 1932, Shulman said, Congress demanded that the Reconstruction Finance Corp., a program that lent money to banks to try to contain the Great Depression, publish a list of who was getting public funds. As a result, there was a run on those banks.

"Congress should be careful what it asks for," Shulman said.

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ECONOMIC VIEW

The New Deal Didn't Always Work, Either

By TYLER COWEN

MANY people are looking back to the Great Depression and the New Deal for answers to our problems. But while we can learn important lessons from this period, they're not always the ones taught in school.

The traditional story is that President Franklin D. Roosevelt rescued capitalism by resorting to extensive government intervention; the truth is that Roosevelt changed course from year to year, trying a mix of policies, some good and some bad. It's worth sorting through this grab bag now, to evaluate whether any of these policies might be helpful.

If I were preparing a "New Deal crib sheet," I would start with the following lessons:

MONETARY POLICY IS KEY As Milton Friedman and Anna Jacobson Schwartz argued in a classic book, "A Monetary History of the United States," the single biggest cause of the Great Depression was that the Federal Reserve let the money supply fall by one-third, causing deflation. Furthermore, banks were allowed to fail, causing a credit crisis. Roosevelt's best policies were those designed to increase the money supply, get the banking system back on its feet and restore trust in financial institutions.

A study of the 1930s by Christina D. Romer, a professor at the University of California, Berkeley ("What Ended the Great Depression?," Journal of Economic History, 1992), confirmed that expansionary monetary policy was the key to the partial recovery of the 1930s. The worst years of the New Deal were 1937 and 1938, right after the Fed increased reserve requirements for banks, thereby curbing lending and moving the economy back to dangerous deflationary pressures.

Today, expansionary monetary policy isn't so easy to put into effect, as we are seeing a shrinkage of credit and a contraction of the "shadow banking sector," as represented by forms of derivatives trading, hedge funds and other investments. So don't expect the benefits of monetary expansion to kick in right now, or even six months from now.

Still, the Fed needs to stand ready to prevent a downward spiral and to stimulate the economy once it's possible.

GET THE SMALL THINGS RIGHT It's not just monetary and fiscal policies that are important. Roosevelt instituted a disastrous legacy of agricultural subsidies and sought to cartelize industry, backed by force of law. Neither policy helped the economy recover.

He also took steps to strengthen unions and to keep real wages high. This helped workers who had jobs, but made it much harder for the unemployed to get back to work. One result was unemployment rates that remained high throughout the New Deal period.

Today, President-elect Barack Obama faces pressures to make unionization easier, but such policies are likely to worsen the recession for many Americans.

DON'T RAISE TAXES IN A SLUMP The New Deal's legacy of public works programs has given many people the impression that it was a time of expansionary fiscal policy, but that isn't quite right. Government spending went up considerably, but taxes rose, too. Under President Herbert Hoover and continuing with Roosevelt, the federal government increased income taxes, excise taxes, inheritance taxes, corporate income taxes, holding company taxes and "excess profits" taxes.

When all of these tax increases are taken into account, New Deal fiscal policy didn't do much to promote recovery. Today, a tax cut for the middle class is a good idea — and the case for repealing the Bush tax cuts for higher-income earners is weaker than it may have seemed a year or two ago.

WAR ISN'T THE WEAPON World War II did help the American economy, but the gains came in the early stages, when America was still just selling war-related goods to Europe and was not yet a combatant. The economic historian Robert Higgs, a senior fellow at the Independent Institute, has shown in his 2006 book, "Depression, War, and Cold War," just how much the war brought shortages and rationing of consumer goods.

While overall economic output was rising, and the military draft lowered unemployment, the war years were generally not prosperous ones. As for today, we shouldn't think that fighting a war is the way to restore economic health.

YOU CAN'T TURN BAD TO GOOD The good New Deal policies, like constructing a basic social safety net, made sense on their own terms and would have been desirable in the boom years of the 1920s as well. The bad policies made things worse. Today, that means we should restrict extraordinary measures to the financial sector as much as possible and resist the temptation to "do something" for its own sake.

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In short, expansionary monetary policy and wartime orders from Europe, not the well-known policies of the New Deal, did the most to make the American economy climb out of the Depression. Our current downturn will end as well someday, and, as in the '30s, the recovery will probably come for reasons that have little to do with most policy initiatives.

Tyler Cowen is a professor of economics at George Mason University.

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More on the 'Is Google Evil?' Debate

By SAUL HANSELL

UPDATE: *Video clips of the debate on whether Google violates its "Don't be evil" motto are here. The transcript and other information is here.*

The question of Google's evil was in the air around The Times on Thursday. Just after I pushed the save button on the post that posed the question whether Google violates its "Don't be evil" motto, I sat in with the Times editorial board (that is, those who write the unsigned comments on the editorial page) for a meeting with Eric Schmidt, Google's chief executive and also a member of President-elect Barack Obama's transition economic advisory board.

Eric Schmidt. (Credit: Justin Sullivan/Getty Images)

Mr. Schmidt talked mainly about policy issues, like Google's plan for alternative energy, and his thoughts about privacy. Unprompted, he brought up Google's motto, explaining how the company thinks about the sort of tough questions that come up in its business, like whether to identify people who search for child pornography to law enforcement agencies. (It does not because it doesn't want to be making judgments about its users.)

"'Don't be evil' is an invitation to debate," he said. "It means we will fight over what it means."

Beyond Google's endless meetings, the company's motto certainly has prompted debate this week. I wrote my original post based on a formal, Oxford-style debate held in New York on Tuesday. That debate left the audience tied with 47 percent believing Google violates the dictum and an equal number believing it does not.

And more than 100 Bits readers have added their arguments to the question of whether Google actually meets the evil-free standard it set for itself. Our readers were also quite divided, both on the morality of Google's actions and the reason for their judgment.

Some of those that see evil lurking in the heart of Mountain View object to Google's actions to limit search results in China. Others accused it of sins including bullying, hypocrisy, and invasion of privacy.

"EVIL!" declared George Burdell. "They are advertising company mining your data and flooding your eyeballs. Everything else is a trail of candy to get you into the store."

Some readers, taking the view that Google should not be condemned, challenged criticism of the company as "full of holes," as Steve put it. And many praised the virtues of the company’s services.

“Try living in a foreign country.... (Thailand)......no libraries, minimum access to publications/books/news. Google is a savior!” wrote John Oles.

Many readers declared Google no different from any corporation in a capitalist economy. But some found that to be inherently evil; others did not.

A smaller group saw merit in both arguments. “They’re not evil, but we need to keep an eye on them,” commented B. Mull. Dominik Pucek wrote, “Yes, Google is evil. But dammit, I like it!”

Ultimately, this sort of ambivalence was the combined mood of Bits readers. Of the first 104 commenters who explicitly answered the question, 27 said Google violates its “don’t be evil” motto and 31 said it does not.

Energy/Environment

World Oil Crunch Looming?

Even those who believe there's plenty of oil left in the ground to meet rising demand are warning that the final crisis could come uncomfortably soon

Breathing a sigh of relief as the price of gasoline plummets toward $2 a gallon and maybe beyond? Thinking $100-a-barrel oil was just a passing inconvenience? Think again.

The fall in oil prices will likely be short-lived, say those in the know. Although price spikes and drops may recur for years, says economist Fatih Birol, "we think the era of cheap oil is over." He and colleagues at the Paris-based International Energy Agency (IEA) just released their *World Energy Outlook 2008*. IEA analysts see enough oil still in the ground to satisfy ever-rising demand for decades to come—assuming the price continues to rise. But they aren't at all sure that the Middle Eastern government-owned oil companies sitting on most of the remaining oil will be pumping it fast enough a decade or two from now to meet the unbridled demands of the rest of world.

Already, countries outside oil-rich OPEC (the Organization of the Petroleum Exporting Countries) seem unable to increase production further, even with the enticement of high prices. IEA's *World Energy Outlook* sees that plateau of non-OPEC oil production continuing, putting the burden on a reluctant OPEC to make up the shortfall, if it can.

"It's getting harder and harder to find an optimist" on the outlook for the world oil supply, says Beijing-based petroleum analyst Michael Rodgers of PFC Energy, a consulting company. Indeed, the IEA report as well as one coming from the U.S. Department of Energy's Energy Information Administration (EIA, confusingly enough) see hints that the world's oil production could plateau sometime about 2030 if the demand for oil continues to rise. Unless oil-consuming countries enact crash programs to slash demand, analysts say, 2030 could bring on a permanent global oil crunch that will make the recent squeeze look like a picnic.

Stagnation close to home

It took 140 years for the world to consume its first trillion barrels of oil, notes oil information analyst Richard Nehring of Nehring Associates in Colorado Springs, Colorado. Now, if long-running trends continue, the world will demand its next trillion barrels within just 30 years. Some oil analysts working from their best estimate of how much oil remains in the ground—dubbed "peakists"—see world production reaching its limits in the next few years or a decade and then declining.

Signs of strain may already be emerging. Outside OPEC, oil production has not risen since 2004, even as prices soared. IEA sees no recovery in this non-OPEC production from conventional oil fields. Moreover, it projects that the plateau in conventional oil will turn into a decrease beginning in the middle of the next decade, accelerating through to 2030. Only the growth of production from expensive unconventional sources, such as mining tarry sands in Canada, will keep total non-OPEC production from falling during the next 20 years, according to IEA.

"Non-OPEC conventional production is definitely at a peak or plateau," says Rodgers. "That's starting to make people nervous. It's not what even pessimistic people anticipated." Three years ago, analysts in and out of the industry predicted that

Soon the norm? Gas-sipping vehicles would be de rigueur if OPEC doesn't come through with more oil.

CREDITS (TOP TO BOTTOM): CHARLIE RIEDEL/AP; IVAN ALVARADO/REUTERS

Published by AAAS

Don't stop. Kansas will have to squeeze out more oil just to help keep non-OPEC production steady.

projects under way or planned would dramatically boost world production during the second half of the decade, sending prices back down (*Science*, 18 November 2005, p. 1106). Only in the 2010s would non-OPEC producers—who had boosted their output 35% in 25 years—falter and level off their production, analysts thought. That predicted plateau may be here already. "Despite all the work," says Rodgers, "we can't grow non-OPEC."

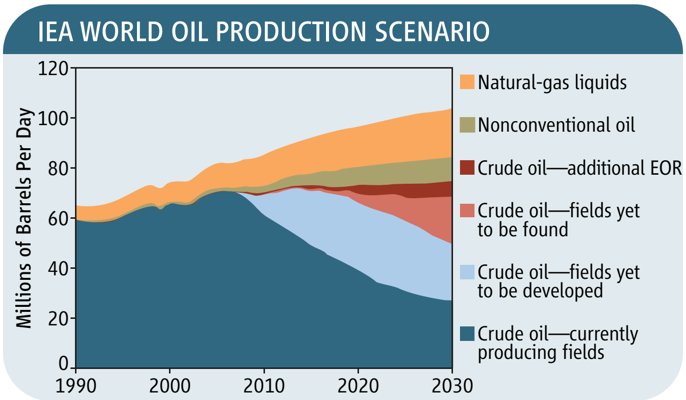
That sinking feeling

A big part of any problem with slaking the world's thirst for oil, according to IEA's report (www.iea.org/Textbase/npsum/WEO2008SUM.pdf), is the rapid decline of production from fields past their prime. Any new field produces increasing volumes of oil each year as more and more wells are drilled, but production eventually peaks and, in time, begins to decline. IEA studied 800 fields around the world that had already passed their peak production to see how fast they are declining—a rather rapid 6.7% decline per year, it turns out. And that rate could increase to 8.6% by 2030, IEA says, as the industry turns more and more from waning giant onshore fields to smaller fields and offshore fields, both of which decline faster after peaking.

The decline rate "is a major challenge in itself," says Birol. "We have found that if we want to stand still—that is, continue producing 85 million barrels per day—for the next 22 years, we need new production of 45 million barrels per day to compensate for the decline. That means four Saudi Arabias." Add on a demand increase of the sort seen the past couple of decades—equivalent to another two Saudi Arabias—and the world will have to work that much harder to meet rising demand, Birol says.

Even given the extra effort, IEA in its "reference scenario" of future world oil production (see figure) has the world production of conventional crude leveling off early in the next decade. Only a considerable increase in unconventional oil and natural-gas liquids—an oil-like byproduct of natural-gas extraction—keeps world production rising to 2030. With non-OPEC conventional production in this scenario leveling out and then falling, "this time [the effort] needs to come from the national oil companies," says Birol.

Those are the government-owned companies with the biggest reserves of oil in the ground, principally the OPEC countries of the Middle East. "This aspect is more uncertain," Birol adds. In the past, IEA and its U.S. equivalent, EIA, have assumed that OPEC could and would make up for any shortfall in non-OPEC production. But this year, IEA's *World Energy Outlook* warns that although there's enough oil in the ground to meet growing demand through 2030, there "remains a real risk" that oil companies—OPEC's in particular—will soon fail to invest enough in exploration and production efforts. That could precipitate a calamitous oil crunch as early as the middle of the next decade, the report says. "There can be no guarantee that [oil resources] will be exploited quickly enough" to meet expected demand, the report says.



It'll work, if … In this scenario from IEA, the world's rising demand for fluid fuels will be met by growing unconventional oil and natural-gas liquids production, but only if OPEC expands its production of crude oil.

Less encouraging still

In its first look ever beyond 2030, the U.S. EIA is finding even less support for a rosy oil scenario than IEA is. Its report is yet to be released, but EIA's Glen Sweetnam of the Washington, D.C., offices outlined preliminary results at an EIA conference in April (www.eia.doe.gov/conf_pdfs/Monday/Sweetnam_eia.pdf). Moving beyond their usual approach of simply depending on OPEC to make up any shortfall, EIA analysts considered four factors that bear on how much oil of all sorts—conventional, natural gas liquids, and unconventional—gets produced: demand (high, intermediate, and low scenarios), how much oil was in the ground to start, what fraction of that oil will ever be extracted (some always remains no matter how great the effort), and OPEC's willingness and ability to respond to increasing demand.

Things look fine right through the rest of the century if, starting now, the whole world severely curbs its appetite for oil, the EIA analysis suggests. In this low-demand scenario, the lingering demand for oil could be met even if the nondemand factors were unfavorable.

Still on the optimistic side, if demand were to continue rising as before and level off starting in 2030—say, in response to crash programs to increase efficiency and develop alternatives—demand could be met into the second half of the century even if a single factor were unfavorable, with one exception. If OPEC does not increase its production beyond its current 34 million barrels per day, world production will plateau within a few years, reminiscent of the potential crisis IEA sees in the middle of the next decade. Most ominously, EIA's high-demand scenario—higher demand to 2030, then business-as-usual increases in demand thereafter—"may be difficult to meet even with favorable supply assumptions," said Sweetnam. Unbridled consumption does not seem to be an option.

A hard place

The energy agencies "have done a good job of describing the fix we're in," says energy analyst David Greene of Oak Ridge National Laboratory in Knoxville, Tennessee. "They're recognizing that the non-OPEC world won't be able to increase production much if at all. The IEA correctly points out the massive investment required" to meet any increase in demand. In fact, it's not clear to Greene or other analysts that OPEC has any intention of upping production to keep the price of oil relatively low, which would not be in its self-interest. Better to keep more oil in the ground, pinching supply, and sell that oil later at a higher price. And some OPEC countries, such as Iran and Iraq, may not be capable of making the required investment, even though they have the oil.

The United States can help itself, Greene notes, but it's going to be tough. Insulating the economy from the worst oil price effects "takes a long time, 10 to 15 years. You have to do just about everything you can think of," from further improving the efficiency of cars and light trucks to bringing on biofuels to producing more oil in the United States. "You have to have a comprehensive structure and a measurable goal. We don't have that now. I just hope the Obama Administration doesn't look at the [current] price of oil and shove the problem to the back burner."

–RICHARD A. KERR

CREDIT: INTERNATIONAL ENERGY AGENCY'S *WORLD ENERGY OUTLOOK 2008*

washingtonpost.com

Problems Plague U.S. Flex-Fuel Fleet

Most Government-Bought Vehicles Still Use Standard Gas

By Kimberly Kindy and Dan Keating
Washington Post Staff Writers
Sunday, November 23, 2008; A01

The federal government has invested billions of dollars over the past 16 years, building a fleet of 112,000 alternative-fuel vehicles to serve as a model for a national movement away from fossil fuels.

But the costly effort to put more workers into vehicles powered by ethanol and other fuel alternatives has been fraught with problems, many of them caused by buying vehicles before fuel stations were in place to support them, a Washington Post analysis of federal records shows.

"I call it the 'Field of Dreams' plan. If you buy them, they will come," said Wayne Corey, vehicle operations manager with the U.S. Postal Service. "It hasn't happened."

Under a mandate from Congress, federal agencies have gradually increased their fleets of alternative-fuel vehicles, a majority of them "flex-fuel," capable of running on either gasoline or ethanol-based E85 fuel. But many of the vehicles were sent to locations hundreds of miles from any alternative fueling sites, the analysis shows.

As a result, more than 92 percent of the fuel used in the government's alternative-fuel fleet continues to be standard gasoline. A 2005 law -- meant to align the vehicles with alternative-fuel stations -- now requires agencies to seek waivers when a vehicle is more than five miles or 15 minutes from an ethanol pump.

The latest generations of alternative vehicles have compounded the problem. Often, the vehicles come only with larger engines than the ones they replaced in the fleet. Consequently, the federal program -- known as EPAct -- has sometimes increased gasoline consumption and emission rates, the opposite of what was intended.

The EPAct program offers a cautionary tale as President-elect Barack Obama promises to kill dependence on foreign oil and revive the economy by retooling for the green revolution, experts say.

"This is an example of a law that has had a perversely different effect than what was originally intended," said Jim Kliesch, a senior engineer with the Union of Concerned Scientists, an nonprofit environmental organization based in Washington.

The Postal Service illustrates the problem. It estimates that its 37,000 newer alternative-fuel delivery vans, which can run on high-grade ethanol, consumed 1.5 million additional gallons of gasoline last fiscal year because of the larger engines.

The vehicles that would allow the agency to meet federal mandates were available in six- and eight-cylinder models -- not the four-cylinder variety it traditionally purchased. Alternative fuel was used less than 1 percent of the time in 2007-2008.

The Department of Energy defended its efforts with the program in a written statement. "The U.S. Government continues to promote diversification of alternative fuels and vehicles in order to reduce our dependence on oil and cut greenhouse gas emissions," spokeswoman Jennifer Scoggins wrote. "We work with private industry partners to develop and grow infrastructure of alternative fuels."

Scoggins pointed to a two-year growth spurt of E85 stations, which dispense fuel that is 85 percent ethanol and 15 percent gasoline. Since 2006, ethanol stations have increased from 481 to 1,689 nationally, but most are in the Midwest. Station owners face a vexing challenge: how to compete with more than 160,000 gasoline stations located on nearly every street corner, especially as gas prices drop.

A New Challenge

In 1992, just after the Persian Gulf War, Congress passed the Energy Policy Act, hoping to harness the government's buying power to spark a green vehicle revolution. Agencies were required to buy alternative-fuel vehicles for 75 percent of their light-duty fleet: cars, trucks and vans that weigh less than 8,500 pounds. The ultimate goal was to give automakers incentives to produce more fuel-efficient cars.

But EPAct had a huge loophole: Agencies were required to buy alternative-fuel vehicles but did not have to run them on alternative fuel.

"We started out with a plan to mandate use, but then we pulled back. There wasn't the political support or will to do it," said former representative Philip P. Sharp (D-Ind.), who sponsored EPAct and authored a separate bill that contributed to the expansion of flex-fuel fleets.

Because alternative-fuel use was not mandated, large numbers of vehicles that could run on various fuels -- propane, compressed natural gas and E85 -- have popped up in places where none of those fuels is available.

The Post analysis shows that at least 2,341 flex-fuel vehicles were placed in seven states with no E85 stations, and in Puerto Rico, where the situation is the same.

Hawaii has the greatest share, with more than 1,000 flex-fuel vehicles purchased or leased by various agencies, mostly military. The U.S. Navy tops the list.

The Navy has more than 670 flex-fuel vehicles on three islands. Not one of the sedans, sport-utility vehicles or trucks has ever operated on E85.

"If an alternative-fuel vehicle is available, we are mandated to buy it. We have no choice," said Steve Mortimer, a manager in Hawaii who helps set Navy policy on vehicles and equipment. "The [auto] manufacturers don't have to supply the fuel. In Hawaii, we just have unleaded and diesel and a little bit of propane."

Mortimer and other Navy officials have invited potential fueling suppliers for site visits to encourage interest in building E85 stations. But there are many obstacles.

No ethanol-production facility exists in Hawaii, so the fuel would have to be shipped by tanker, increasing the carbon footprint of E85, a fuel that is already being criticized by some environmentalists because of pollution caused by many ethanol-production plants.

Big Cars

For years, federal agencies ignored EPAct. They fulfilled the 75 percent purchasing requirement only after 1999, when several environmental groups filed a lawsuit to force the buys.

When fleet managers searched for vehicles that would meet EPAct requirements, they found that the most affordable models were big flex-fuel sedans and SUVs. Automakers had bucked efforts to mass-produce alternative-fuel vehicles, believing that the fueling stations, including E85, should be in place before they made assembly-line changes.

To persuade automakers to ramp up production, Congress in 1988 struck a deal. For each flex-fuel vehicle produced, automakers would win lucrative credits to help them achieve fuel-efficiency mandates.

Under the system, a flex-fuel vehicle might achieve 16 miles per gallon, for example, but with the credits an average of 24 mpg could be claimed. The formula assumed the vehicles would run on alternative fuel half the time.

Manufacturers liked flex-fuel models, because they cost only about $50 more per vehicle to produce. To prevent corrosion from the alcohol-based fuel, they used a specially lined tank and stainless-steel fuel lines instead of aluminum.

Manufacturers started producing them in their best-selling models: large sedans and SUVs. For agencies, purchasing the large fuel-guzzling vehicles proved problematic.

"They were bigger, they ran on gas, and they weren't fuel-efficient," said Mark Gaffigan, director of natural resources and environment with the Government Accountability Office, which completed a program audit last month. "If they had just bought regular vehicles that were more fuel-efficient, they would be better off."

(Last year, Congress moved to phase out the flex-fuel credits by 2020, because several studies verified that the larger vehicles had led to increased gasoline consumption and greenhouse gas emissions.)

Four years after granting the flex-fuel credits, Congress passed EPAct, giving automakers a guaranteed market. In 1992, Sen. J. Bennett Johnston (D-La.) said EPAct would "solve the chickenand-the-egg proposition with respect to alternative fuels," and President George H.W. Bush said it would "steadily increase U.S. energy security."

Seven years later, a lawsuit filed by the Center for Biological Diversity, the Bluewater Network and the Sierra Club tried to force more progress by making agencies comply with the law.

"We did not know there was no intent to run them on the alternative fuels or that the vehicles sometimes got lower gas mileage," said Jay Tutchton, a lawyer who worked for Earthjustice, a law firm that represented the groups. "They could have done better, in many cases, if they'd stuck with smaller vehicles that ran on regular gasoline."

Waivers Abound

Another shortcoming of EPAct was that it did not require fleet managers to track vehicle locations. The fleet grew, but no one knew how it was taking shape.

This discouraged private investment in fueling stations because industry needed better data.

"I have to be able to justify it economically. I need a business plan that shows it's worth the investment for my costs of getting the fuel there and putting in a station. The best data every time is where the federal fleet is located," said Curtis Donaldson, president of Texas-based CleanFuel USA, which builds propane and E85 stations.

To remedy this, legislation passed in 2005 requires agencies to seek an exemption or waiver from the Energy Department for each flex-fuel vehicle it owns or leases that is more than five miles or 15 minutes from the closest ethanol station. (Agencies also can seek exemptions if E85 costs at least 15 percent more than standard gasoline. No such waivers have been requested this fiscal year.)

Sixty-one percent of the fleet -- more than 67,000 vehicles -- received waivers for 2008-2009, the second year data were reported.

Five percent of the exemptions are in the Washington region. In Maryland and Virginia, nearly 1,000 exemptions were granted, with vehicles from the Postal Service, Army, Navy and Department of Agriculture leading the way. As in many other East Coast areas where E85 stations are rare, most vehicles qualified on the basis of being too far from a pump.

The waivers did offer a valuable tool: Zip code locations for each exempted vehicle that could be fed into an Energy Department database and shared with companies that build fuel stations.

The data, however, do not identify the location of the other 39 percent of the flex-fuel fleet for which it is a struggle to find E85, an important problem to solve because these vehicles use the fuel 8 percent of the time.

It is also unclear whether vehicles granted waivers are truly too far from the E85 stations to use them. The Post analysis, comparing locations of exempted vehicles with E85 fueling stations, shows that 13 percent of the vehicles are within five miles of publicly available ethanol pumps.

In the District, 50 of the 54 exemptions are for vehicles that are less than five miles from an E85 supplier, The Post found.

Some exempted vehicles are in the Midwest, where E85 stations are abundant, ethanol prices are lower than national averages for ethanol, and traffic is comparatively light.

In Omaha, 43 exempted vehicles owned by the Army, Postal Service and Department of Veterans Affairs are within five miles of a Cubby's food store, Fantasy's Food-N-Fuel or Bucky's Express -- all with E85 pumps.

In Cedar Rapids, Iowa, 20 flex-fuel vehicles owned by the Postal Service, the General Services Administration and the Department of Homeland Security won exemptions, although they are within five miles of an ethanol pump.

And in Manhattan, Kan., the Army and the Departments of Agriculture and the Interior have 18 vehicles within five miles of one E85 station at the Farmers Cooperative Association.

"We put the station in thinking that if government employees had the vehicles, they were supposed to use ethanol," said Darin Marti, general manager of the Farmers Cooperative. "It's not hard to find us. You can use a GPS unit, and it will take you right to us. And we have big signs along the highway."

Energy Department officials said some agencies may have secured waivers because of other factors, including stations that do not accept a government credit card or that have unreliable E85 supplies. In urban areas such as Washington, exemptions were typically granted because traffic congestion made even a two- or three-mile drive costly and time-consuming.

The GAO said its analysis showed that future improvements will rely on better data. And it is time for government to reassess the original vision for the fleet, the agency said.

"It can be a role model, a leader," said Gaffigan, of the GAO. "And it should."

The New York Times
nytimes.com

November 22, 2008

G.M. Pins Hopes on a Plug-In Car, 2 Years Off

By MICHELINE MAYNARD

DETROIT — The Chevrolet Volt, a plug-in hybrid, will not arrive in showrooms until late 2010. But it is already straining under the weight of an entire company.

Executives at General Motors, the largest and apparently the most imperiled of the three American car companies, are using the Volt as the centerpiece of their case to a skeptical Congress that their business plan for a turnaround is strong, and that a federal bailout would be a good investment in G.M.'s future.

In ads that ran this week, the company said of the Volt: "This is not just a car. It's a vision of our future." Another claimed that the vehicle would "completely reinvent the automotive industry."

There is a long tradition in Detroit of relying on a single new model or technology as a silver bullet to quickly solve bigger problems. Sometimes it works — the Chevrolet Corvette, the Ford Mustang and Ford Taurus, and Chrysler's K-car lineup of compact, fuel-efficient cars in the early 1980s all gave their companies an enormous boost.

But whether the Volt can live up to its billing is already a matter of debate. And some industry analysts note that General Motors has a poor track record of introducing green technology to the market.

The Volt is a big long-term bet. New vehicles typically cost $1 billion to develop, and the Volt requires new technology that probably inflated that price tag even more.

G.M. says the car, which is scheduled to arrive in showrooms two years from now, will be able to travel 40 miles on a charge, but it will also have a small gas engine to extend the range to as much as 640 miles using both the battery and gasoline (the 1.4 liter, four-cylinder engine is intended to run a generator that will power the car and recharge the batteries once they are depleted). It is expected to cost about $40,000.

To some, the Volt will remain a niche vehicle until its cost drops sharply and its range rises dramatically.

"If you're the affluent individual who wants to make a statement, it's one thing," said Ron Pinelli, president of MotorIntelligence.com, an industry analysis firm. "If you're Joe the Commuter, you're not going to spend $40,000 on an electric car. It's insane."

In one exchange during the often-tense hearings in Congress for the three car companies, Representative John Campbell, a California Republican, questioned Wednesday whether the Volt would provide the financial boost that G.M. needs.

"The Chevy Volt may be a great car, but they're not going to make any money with it, at least not right away," he said.

Other lawmakers questioned whether G.M. might run short of money for the Volt without federal assistance. But G.M.'s chief executive, Rick Wagoner, said in a television interview last week that G.M. was making sure it had money to keep developing the car.

What sets the Volt apart, G.M. officials say, is that there is nothing like it on American roads, at least for now.

"We're moving from a model where the primary power plant is no longer an internal combustion engine. It's an electric motor," said Jon Lauckner, G.M. vice president for global program management. "It's a huge change in the whole paradigm of where cars have been."

Once it arrives, Mr. Lauckner said, customers will adjust more rapidly to the Volt than they did to the Prius, Toyota's hybrid gas-electric car. "I don't think that's going to be that big a deal for most people to get their heads around," he said.

"We've turned into a plug-in society. We've got cellphones, PDAs, you name it, that are all plugged in. To a certain extent, it's not much more complicated conceptually than coming in and plugging in your cellphone."

David Cole, chairman of the Center for Automotive Research, in Ann Arbor, Mich., agreed that the Volt would be a "game-changer." When it is introduced, "we can say that the invention has arrived," Mr. Cole said.

Many carmakers, including Mitsubishi, Nissan and BMW, have plug-ins under development. Toyota said last year that it was working on a plug-in hybrid vehicle that would be available by 2010, meaning it could conceivably beat the Volt. Toyota has not said whether it will sell the vehicle to the public or only to fleet customers.

G.M. does not plan to sell the Volt in all 50 states right away but will roll it out in markets that is has not yet named.

It plans to sell only 10,000 Volts in the car's first year, or less than the number Prius cars sold by Toyota in October alone. And the Volt, roughly the size of a small family sedan, will cost around $15,000 more than a Prius.

G.M. has not said when or if it plans to make money off the Volt.

Mr. Cole attributed much of the Volt's higher cost to its lithium-ion battery, which he estimated initially would cost $10,000 to $15,000 a car. But he predicted battery prices could someday be one-third that much, prompting the car's price to drop closer to $30,000, and generating more demand. (G.M. eventually expects to sell about 60,000 annually.)

"You're never going to implement high volume until you get to future generations of the technology," Mr. Cole said.

Sales of the Prius hybrid electric car, which had its debut in the United States in 2000, bumped along for their first few years until Toyota introduced a more powerful model in 2003. They accelerated when gas prices jumped in 2005 and hit a record in 2007, when Toyota sold more than 180,000.

The Volt is not General Motors' first electric vehicle. In 1996, G.M. started leasing the EV1, an electric car, to customers in California. Although its few hundred owners loved it, the EV1 was discontinued just three years later.

G.M. reportedly spent about $1 billion in the 1990s to develop the EV1, which it dropped after saying it could not make money on the cars. The EV1, which was available only in lease deals, sold for the equivalent of up to $44,000 but cost G.M. about $80,000 apiece to make.

Other efforts to earn green bragging rights have missed the mark, too. Only two years ago, G.M. promoted flexible fuel cars that run on E85, a blend of ethanol and gasoline, as the way to wean Americans off gasoline. But interest in ethanol has waned amid concerns about the environmental impact of using corn for fuel rather than food.

The company is building its largest sport utility vehicles with hybrid gas-electric power trains as well, but they have sold poorly.

In 2004, G.M. displayed a hydrogen-powered concept vehicle, the Hy-wire, at the Paris Motor Show, making similar promises that it would revolutionize the industry. Thus far, the Hy-Wire has not become reality.

David Friedman, a research director at the Union of Concerned Scientists, said he was concerned that G.M. was promising too much with the Volt. He said consumers who would benefit most from the Volt, city dwellers, might find it inconvenient since they would have no obvious place to plug it in on urban streets.

"The Volt is a risk worth taking: it's just not a risk worth betting your whole future on," Mr. Friedman said. "I do worry G.M. is doing it more out of image building than a focus on developing products."

Asked whether G.M. might be building expectations too high for the Volt, Mr. Lauckner replied, "We don't think so." He acknowledged that G.M. has revealed far more about the Volt well in advance of production than it typically does for other vehicles.

"But frankly," he continued, "the whole program is different, and we need some different types of people to support this program than in the past."

Once the Volt arrives, some industry analysts said, G.M. could eventually build entire car lineups that feature the technology used on the Volt, much as Toyota is considering the idea of a separate brand with the Prius name. First, however, the car needs to make its way to showrooms.

"It isn't what it's going to do for G.M. tomorrow. It's what it will do for G.M. for years to come," Mr. Pinelli said. "It's an investment in the future."

POLITICO

Bush oil shale rules roil Mountain West

By: Joaquin Sapien - ProPublica
November 22, 2008 06:12 PM EST

Seven weeks after a congressional moratorium on oil shale development expired, the Bush administration has issued rules that take the first step toward tapping an estimated 800 billion barrels of oil trapped in sedimentary rock in Wyoming, Utah and Colorado.

The new rules have highlighted a divisive partisan issue among western politicians, with Republicans ready to push forward with development and Democrats urging a more cautious approach. The rules establish a framework for how energy companies will lease federal land for oil shale mining. Opponents say oil shale mining uses so much water that it could threaten their drinking water supply. They also say its heavy consumption of energy could outweigh its energy benefits.

Oil shale is a sedimentary rock that contains trace amounts of oil, which can be extracted at high temperatures. But turning shale into usable oil is expensive, and the industry hasn't been able to do it in a way that is profitable yet. There are also serious environmental consequences at every step. Digging the shale out of the earth damages the landscape, refining it dirties the air, and both steps require massive amounts of water and energy.

Oil companies and the Bush administration say that incorporating oil shale into the nation's energy portfolio is a critical step toward energy independence. Utah's Republican governor and senators share that view.

"Some folks have been talking about this final rule as though it would unleash a flood of oil shale development; that's just not the case," Utah Sen. Orrin G. Hatch said in a **statement to the media**. "The law is clear that the BLM cannot grant commercial oil shale leases until the government consults at great length with the governors and local officials of the impacted states. I should know, I was the sponsor of the oil shale law, and it clearly puts the governors and local officials in the driver's seat."

See Also

- **ProPublica**

President-elect Barack Obama hasn't yet carved out a clear stance on oil shale, and Americans' concerns about high gas and energy prices are sure to factor into his decision-making process. He could let the Bush policy stand. Or he could try to re-impose the moratorium, or halt the processing of lease applications once they start coming in, which could be many years down the road.

The rules go into effect Jan. 17, three days before Obama takes office, which means it will be **difficult for him to rescind it**. The Bush administration **urged agency heads to finalize regulations** by Nov. 1, so they could go into effect well before the next administration takes office.

"The Bush Administration has fallen into the trap of allowing political timelines to trump sound policy," Colorado Sen. Ken Salazar said in a **statement to the media**. "Over and over again the Administration has admitted that it has no idea how much of Colorado's water supply would be required to develop oil shale on a commercial scale, no idea where the power would come from, and no idea whether the technology is even viable on a commercial scale."

Salazar supported the oil shale moratorium Congress enacted through the Energy Policy Act of 2005. When the moratorium expired on Sept. 30, Wyoming's Democratic governor, Dave Freudenthal, urged the Bureau of Land Management to move cautiously in developing rules for oil shale, which he described as "an unproven and unknown resource."

Colorado's Democratic governor, Bill Ritter, is also concerned, as are other state and local officials.

"The water we get from the Colorado has been over-allocated as it is, so by using more water for oil shale, we are putting ourselves at risk to everybody who needs it in Colorado," said Susan Daggett, a member of Denver's water commission.

Daggett is especially worried about Colorado's ability to meet its contract obligation to provide 7.5 million square acre feet of **water to Nevada, Arizona and California**. "We have never gotten to a point where we've failed to meet our contract obligations, and we don't know what the result would be, but I'm guessing it could lead to regional water wars."

When the Bureau of Land Management released details of the new rules this week, it included a summary of an environmental impact statement saying that the environmental consequences of oil shale development "could not be quantified." But within the report are estimates indicating it takes between one and four barrels of water to produce single barrel of oil from shale, depending on how the shale is extracted.

Tracy Boyd, a spokesman for Shell Oil Company's Mahogany oil shale research project in Colorado, disputed the BLM's numbers.

"It's their best forecast, but it's not based on the latest information provided by oil shale companies," Boyd said. "Nobody can crystal ball exactly how much water these projects will need."

Shell has developed technology to heat the rock while it is still under ground, thereby limiting the damage to the environment, but this process requires more energy than traditional shale mining.

While industry officials are generally pleased that the Bush administration is opening more federal land to oil exploration, Boyd complains that the royalty rates it has set are too high to give industry the encouragement it needs. Shell lobbied for a 0 to 1 percent royalty rate, but the BLM set it at 5 percent for the first 5 years of commercial production, followed by a 1 percent increase each year until it reaches 12.5 percent.

"From one perspective it sounds absurd for us to say that a royalty rate of 0 or 1 percent would be appropriate, but the point isn't that we are looking to get off the hook for royalties," said Boyd, whose company enjoyed **record profits** this past quarter. "We just want an environment that will allow industry to access this resource."

To back his claim Boyd cited the history of Canada's booming tar sands industry, which he argues did not take off until Canada dropped its royalty rate from 5 percent to 1 percent. But others attribute Canada's tar sand boom to a sharp rise in the price of oil in the late 90s.

The Department of the Interior estimates that it currently costs between $37.75 and $65.21 to **produce a barrel of oil from oil shale**, compared to $19.50 per barrel for conventional crude.

Yesterday, the price of **oil hit a five-year low** at about $50.

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November 22, 2008

ABOUT NEW YORK

At a New York Seminary, a Green Idea Gets Tangled in Red Tape

By JIM DWYER

Here was the easy part about an elegant, smart alternative energy project at an Episcopal seminary in Chelsea: drilling 1,500 feet through Manhattan schist to reach the water that runs deep and warm in the earth.

“An 8 3/4-inch carbide button drill bit,” said Dennis Frawley, who managed the project for the General Theological Seminary. “Behind that, there was a fluted percussion hammer. That pounds the rock into particulate.”

Drilling a quarter-mile into solid rock was simple, said Maureen Burnley, the seminary’s executive vice president, compared with persuading government officials and agencies that had the authority to say no — or to simply do nothing and stop all progress.

“We had to answer to 10 agencies,” Ms. Burnley said. “It took three times as long as it should have. The left and the right hand did not know what the other was doing.”

Ms. Burnley and Mr. Frawley were members of a small team that has installed seven geothermal wells at the seminary, which occupies most of a full city block between Ninth and 10th Avenues and 20th and 21st Streets. They intend to drill 15 more. The wells are a source of energy because the water is 65 degrees year-round, so it is being used to cool seminary buildings in the summer and heat them in the winter. Once all 22 wells are running, the seminary will shut down its boilers. By replacing fuel oil with geothermal energy, the seminary will reduce its annual carbon dioxide emissions by 1,400 tons.

This is the future that virtually everyone in the city wants. But the people at the seminary are, in Ms. Burnley’s phrase, “institutionally exhausted” by the four-year siege of red tape, and after spending 50 percent more money than they had expected.

“At a certain point we became angry, and determined, and wouldn’t give up,” she said. “But you can’t create public policy that depends on having obsessed, hardheaded people to get these projects done.

“People are prepared to deploy these strategies,” she said about the enthusiasm for new green approaches. “Policymakers need to get beyond the grand goals and figure out what the way is to move forward.”

In theory, no city in the country should be quicker to welcome such a project. Buildings are by far New York’s biggest source of carbon emissions. And last year, Mayor Michael R. Bloomberg laid out one of the country’s most ambitious plans to reduce the use of carbon-based fuels. With each presentation, the vision and depth became more apparent.

The aspirations of the mayor and his planners on paper, however, cannot come to life without the consent of the city's bureaucracy. "Those folks in the agencies don't seem to feel that they answer to the executive branch," Ms. Burnley said.

At one point, the seminary waited three months for the city Department of Transportation's permission to drill into the sidewalk, Ms. Burnley said. "The conversation went like this: 'What is the status?' 'It has no status.' 'Do you need more information?' 'No, we have what we need.' 'Then how can we get it moving?' 'You can't get it moving.'

"We were in absolute purgatory," she said. "What was going on was an internal debate between the engineers and what are the real world requirements, and the lawyers with the legal requirements."

If geothermal is to become a practical application, Ms. Burnley added, "someone has to lock all these engineers in one room, lock those lawyers in another room, and try to make this affordable and doable."

Besides the Department of Transportation, among the agencies that had a say were the city's Department of Environmental Protection, because a branch of a water tunnel runs beneath part of the seminary, and the state's Department of Environmental Conservation, because its Division of Mineral Resources issues permits for mining operations.

All of those agencies had legitimate public interests to protect. They just didn't want to act at the same time, in the same place.

"I sat in a room with D.O.T. trying to get D.E.P. and D.E.C. to sit together," Mr. Frawley said. "I wasn't able to make it happen. The mayor can stand up on a podium and talk about New York in 2030, but we're the application of that — we're the ones trying to make it happen."

Whenever the project seemed to have stalled beyond hope, Ms. Burnley said, the geothermal team was able to get it moving again with help from a policy adviser in the Bloomberg administration, Ashwini Chhabra.

Geothermal equipment is expensive to install, but it is well-suited for institutions that have time to recoup the initial costs, Ms. Burnley said.

But are there enough people like Ms. Burnley and Mr. Frawley — human drill bits — to drive through the crust of the status quo? She laughed. Not drill bits, she said, "human battering rams."

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Health

THE WALL STREET JOURNAL.
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REVIEW & OUTLOOK | NOVEMBER 24, 2008

Jindal's Medicine

Louisiana's Governor pushes a creative Medicaid reform.

Bobby Jindal, Louisiana's prodigy Governor, has been arguing lately that only policy innovators will break a path out of the GOP's political wilderness -- and he is leading by example. Mr. Jindal recently announced a major renovation of the way his state provides health coverage to the poor and uninsured, thus taking up a topic for which most Republicans require a shot of epinephrine just to pay attention.

Name any health criteria, and Louisiana is probably scraping bottom. According to one national ranking, the state was 49th in health outcomes in 2007 and worst overall in 2006. Even though about a quarter of the population is enrolled in Medicaid, another quarter is uninsured. Even though the federal government's "matching rate" pays out 71% of state Medicaid costs, state spending has doubled to 16% of the general budget over just the last two years. That share is projected to rise to 22% by 2011, swallowing funding for schools, police and other priorities.

Governor Jindal plans to steer working-poor Medicaid recipients out of the current "fee for service" program, where the state pays a set rate for all health-care charges (some 54 million this year). Instead, they'd choose among private managed-care plans, with Louisiana paying a fixed per-patient amount, adjusted for health risks. Essentially, Mr. Jindal wants to use Medicaid dollars to fund something like private insurance. That way, physicians and hospitals will be compensated for outcomes -- rather than volume of visits and procedures -- and get incentive payments for good performance.

Such a "defined contribution" plan is one way to wrestle run-amok health costs back under control and spend more responsibly. It isn't a new idea, but it is a good one. Congressional Republicans passed a similar reform in 1995 for Medicare, which Bill Clinton vetoed -- only to have his own bipartisan commission endorse it in 1999.

Since Louisiana will increase the value of its Medicaid dollars and free up other funding, it will also be able to expand eligibility. The initiative will start with about 380,000 people in New Orleans, Baton Rouge and two other regions, with the rest of the state integrated over the next five years. The hope is that by integrating fee for service's separate silos and realigning incentives, the quality of the delivery system will also improve.

Medicaid allows states the flexibility to experiment like Mr. Jindal, but it requires a federal waiver. Currently, Louisiana's negotiations are hung up on $771 million that the feds claim the state owes, much of it in alleged "overpayments." States often game the system to filch federal money they don't deserve, courtesy of national taxpayers. But in this case, Louisiana ought to get credit for good behavior, especially considering that Mr. Jindal inherited the problem. In any event, the state only wants to pay back Medicaid over a longer term while producing savings compared to the status quo.

The Bush Administration's go-ahead is also a matter of urgency. If the talks aren't wrapped up soon, Mr. Jindal will be forced to start over with Barack Obama's team, which will be hostile to reforms that bank on the private sector. Either way, just the transition itself could delay things for six months or a year or more.

Congress is currently considering a state Medicaid "bailout" as part of its second stimulus package, in which Washington would pay for an even greater share of state health spending. That would reward the most spendthrift states. Mr. Jindal's proposal is a far better idea.

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The New York Times
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November 24, 2008

Studies Say Private Medicare Plans Have Added Costs, for Little Gain

By ROBERT PEAR

WASHINGTON — Private health insurance plans, which serve nearly a fourth of all Medicare beneficiaries, have increased the cost and complexity of the program without any evidence of improving care, researchers say in studies to be published Monday.

The studies, questioning the value of some private plans for Medicare beneficiaries and taxpayers, were issued as President-elect Barack Obama and Congressional Democrats take aim at the plans and consider cutting the payments they receive.

Enrollment in private Medicare plans has nearly doubled in five years, to 10.1 million.

In one study, Marsha Gold, a senior fellow at Mathematica Policy Research, says that private Medicare Advantage plans “are now widely available nationwide,” even in rural areas, as Congress intended when it revamped the program in 2003.

But the study, to be published in the journal Health Affairs, says that 48 percent of the additional enrollment comes from a type of plan that mimics traditional Medicare and generally does little to coordinate care. Enrollment in these “private fee-for-service plans” has shot up to 2.3 million, from 26,000 in December 2003.

In a separate article, two analysts from the Medicare Payment Advisory Commission, Carlos Zarabozo and Scott Harrison, said that growth in private plans had driven up costs because the government pays them 13 percent more on average than what it would spend for the same beneficiaries in traditional Medicare.

The commission, an independent federal panel that advises Congress, has expressed concern about the disparity for years.

“The higher payment rates have financed what is essentially a Medicare benefit expansion for Medicare Advantage enrollees, without producing any overall savings for the Medicare program, and with increased costs borne by all beneficiaries and taxpayers,” Mr. Zarabozo and Mr. Harrison write.

The annual open enrollment period began on Nov. 15. Beneficiaries can sign up for private plans offered by companies like UnitedHealth and Humana and by many Blue Cross and Blue Shield companies.

Under the formula adopted in the 1980s, Medicare paid private plans 95 percent of the projected cost for each beneficiary in traditional Medicare, on the theory that the private plans would save money by coordinating care and being more efficient.

The private plans, which frequently offer additional benefits like vision and dental care, have proved popular. Over the years, Congress has increased payments to private plans, as an incentive to enter more markets.

Beneficiaries choose from an average of 35 private Medicare Advantage plans in each county, Mr. Zarabozo and Mr. Harrison report. But they say, “Payment increases have been so large that plans no longer need to be efficient to offer extra benefits.”

Payments to health maintenance organizations are, on average, 12 percent higher than what the government would spend for beneficiaries in traditional Medicare, they write, while payments to private fee-for-service plans were 17 percent higher.

Insurance company executives and Bush administration officials defend the role of private plans.

“Medicare Advantage plans are offering an average of over $1,100 in additional annual value to enrollees in terms of cost savings and added benefits,” said Kerry N. Weems, the acting administrator of the Centers for Medicare and Medicaid Services.

Karen M. Ignagni, president of America’s Health Insurance Plans, a trade group, said two types of plans — H.M.O.’s and preferred provider organizations — had produced tangible benefits by coordinating care. As a result, she said, disease is detected earlier and people have fewer visits to hospital emergency rooms.

But, Ms. Gold said, “these are not the types of plans that have been growing most rapidly.” Instead, the private fee-for-service plans are growing fastest, and they, she said, “are not set up to coordinate care.”

The Medicare Payment Advisory Commission has said the payments to private plans should gradually be reduced to the level of traditional Medicare.

In a campaign statement, Mr. Obama declared, “We need to eliminate the excessive subsidies to Medicare Advantage plans and pay them the same amount it would cost to treat the same patients under regular Medicare.” In a debate on Oct. 15, Mr. Obama described the subsidies as “just a giveaway” to private insurers.

Similar views have been expressed by former Senator Tom Daschle of South Dakota, who is Mr. Obama’s choice for secretary of health and human services. “Medicare’s solvency is now threatened by overpayments to private insurers,” Mr. Daschle said in a book published this year.

November 21, 2008

Insurer Offers Option for Surgery in India

By RONI CARYN RABIN

The health insurer Wellpoint is testing a new program that gives covered patients the option of going to India for elective surgery, with no out-of-pocket medical costs and free travel for both the patient and a companion.

The program is being tested at Serigraph, a printing company in Wisconsin whose managers have been looking for ways to curb rising health care costs, said Dr. Razia Hashmi, chief medical officer for national accounts for Anthem Blue Cross and Blue Shield, which is affiliated with Wellpoint.

“This is a first for us,” Dr. Hashmi said. “We will be monitoring every aspect of this very closely, to make sure everyone is satisfied and there are good clinical outcomes.”

By the year 2010, more than 6 million Americans annually will be seeking medical treatment abroad, according to the Deloitte Center for Health Solutions, a consultancy. The potential savings are significant. Knee surgery that costs $70,000 to $80,000 in the United States can be performed in India for $8,000 to $10,000, including follow-up care and rehabilitation, Dr. Hashmi said. Similar savings could be achieved for such common procedures as hip replacements and spine surgery.

If other insurers follow Wellpoint, Dr. Hashmi said, the trend ultimately may pressure on United States hospitals to be more competitive in their pricing.

Critics say that’s unlikely.

“There have been some reports of hospitals that have been willing to match the prices, but I don’t know how they’re doing that,” said Howard Berliner, a professor of health policy and management at State University of New York Downstate Medical Center in Brooklyn. “The reality is there’s just no way that most hospitals can respond to this. It’s just like any service that’s outsourced — the price is so cheap abroad that there isn’t much an American company can do about it.”

At the same time, he said, the program could potentially siphon off the healthiest, most profitable patients from a local hospital.

Dr. Hashmi predicted that the program would appeal primarily to people who have traveled abroad. Many employees of Serigraph, which has offices in India, are familiar with the country.

“The quality is comparable” to care provided in the United States, Dr. Hashmi said. All the physicians speak English, and patients can share their medical records and consult with a surgeon in India before making the trip, she said.

The pilot program arranges for patients to be picked up at the airport and provides special meals to prevent food-borne illnesses. The program complies with the American Medical Association guidelines on medical tourism and uses hospitals accredited by the Joint Commission International.

Dr. Hashmi said it had actually been easier to evaluate the quality of medical care abroad than in the United States. “There is a lot more willingness to share data about complication rates, the total number of procedures and the outcomes,” Dr. Hashmi said. “We’re able to get detail per hospital and per physician.”

In addition to saving out-of-pocket costs for surgery for patients, the program could potentially help keep insurance premiums affordable, Dr. Hashmi said.

But Dr. Berliner predicted that medical tourism would be of limited appeal to Americans with private health insurance.

“Everyone is just waiting for the one horrible case to happen over there,” he said, “and then everyone will stop thinking this is such a great idea.”

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CROSS COUNTRY | NOVEMBER 22, 2008

What Tennessee Is Doing About Health Insurance

Coverage with limits is better than no coverage at all.

By PHIL BREDESEN

Nashville, Tenn.

Three years ago, I realized something about health care. I've taken part in uncounted policy discussions about America's uninsured, both as governor of Tennessee since 2003 and before that as CEO of Nashville-based HealthAmerica Corp. Everyone regularly criticizes the unfairness of the system. But we don't make progress.

What I realized was this: Everyone proposing solutions or criticizing unfairness was doing so from the comfortable vantage point of having good health insurance. While we work to build a better system, wouldn't it also be responsible to find a way to get something -- not a perfect solution, not even a long-term solution -- into the hands of the more than 46 million uninsured Americans who don't share our good fortune?

Dottie Landry is one of those uninsured Americans. She lives in Nashville and is self-employed. She makes and sells jewelry. Over the years, she has been generally healthy but uninsured. In 2000 she got very sick -- from a tick bite -- and had to spend about $9,000 for medical care. She put most of it on her credit cards, which took years to pay off.

We all want to help Ms. Landry, but here's the problem: a comprehensive health-insurance policy for her costs about $5,000 a year, and someone has to pay that. That's a real number that won't go away with group purchasing or by beating up insurance companies. Ms. Landry can't afford that, and in a world of trillion-dollar deficits it's hard to see how the federal government can either.

We need a national health-insurance solution, but isn't it sensible in the meantime to make sure everyone has a basic health plan before we give a few more people a perfect but expensive one? Shouldn't we make sure everyone at least has a Chevy rather than providing a Cadillac to a few and letting the rest walk? We're trying that in Tennessee with CoverTN.

CoverTN, which began in 2006, is a health-insurance plan for those who are self-employed, or who work for small businesses that can't afford a traditional policy.

It is not free health care. Rather it is a limited plan with shared costs. In devising this plan, we didn't start out the usual way -- by defining what benefits we wanted -- but instead set how much we wanted to pay. And then we began a competitive-bidding process to see how much health care we could buy. We initially set the amount we would pay at an average of $150 a month, and split the responsibility for that premium three ways. The company would be responsible for $50, the individual for $50, and the state for the final $50.

The bidding was vigorous. It was ultimately won by BlueCross BlueShield of Tennessee with a benefit package that meets a great many -- not all -- of the real needs of the uninsured at a cost far below conventional plans.

At these premium levels -- less than half of what a conventional plan might cost -- the benefits are limited. But the benefit structure is also different than in a conventional plan. Most limited plans achieve their savings with high front-end deductibles, requiring a person to spend often thousands of dollars out-of-pocket before benefits kick in. But when we asked our customers -- uninsured Tennesseans -- what they actually wanted, we found that they were most interested in some help with the more common things; a doctor's visit, prescriptions, a short hospital stay.

CoverTN emphasizes covering these front-end costs. It features free checkups, free mammograms and $15 doctor visits without deductibles, for example. And it achieves its savings on the back end, with relatively low limits on hospital stays and an overall $25,000 benefit limit in any one year. It does not cover truly catastrophic events.

This makes medical sense. Good access to a doctor and a drugstore when you first have a problem can avoid a lot of cost and heartache later.

One thing that has been unexpected is the success of a generics-only prescription drug program. We needed to cover medications, but because of the high prices and aggressive marketing of branded prescription drugs, we were concerned that the costs would overwhelm the program. With some misgivings, we required our bidders to propose a largely generic prescription program. It's worked surprisingly well. Physicians have typically been able to select suitable medications for their patients, and patient satisfaction has been high and complaints few.

Having been badly burned by uncontrolled growth in costs in Tennessee's Medicaid program (TennCare once gobbled up a third of the state's budget), we proceeded cautiously with CoverTN and have been rewarded with good control of costs. This fall we added some benefits: The number of primary care visits doubled from six to 12, for example. Best of all, we added them without increasing rates. When did you last hear of a health-insurance plan whose annual update was a benefit improvement but no rate increase?

An obvious and valid criticism of health insurance such as this is what happens when a patient exceeds the benefit limits.

What we're finding is that even in health care, when people know that there are limits, they work to manage their costs. This year, as of the first nine months, only four people out of the more than 15,000 people covered had hit the maximum overall limit of $25,000, and only three had exceeded the separate in-patient hospital limits. A larger number, under 4%, hit the quarterly pharmacy limits during those first nine months.

Even those who go over the benefit limits get the significant advantage of being able to piggyback their personal expenditures on the contracts CoverTN has negotiated. By doing this, they often can cut their costs on uncovered health care in half.

Ms. Landry, to continue her story, has joined CoverTN and is very happy with it. About a year and a half ago, right after she joined, she had a bad dog bite that put her in the emergency room with several follow-up visits. The cost for this episode was about $4,000, and CoverTN paid for almost all of it.

The Chevy plans certainly have their critics, and I don't offer CoverTN as the perfect or ultimate answer, but it sure has worked for Ms. Landry and thousands of other Tennesseans.

Mr. Bredesen, a Democrat, is the governor of Tennessee.

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November 22, 2008

Radio Host Has Drug Company Ties

By GARDINER HARRIS

An influential psychiatrist who was the host of the popular NPR program “The Infinite Mind” earned at least $1.3 million from 2000 to 2007 giving marketing lectures for drugmakers, income not mentioned on the program.

The psychiatrist and radio host, Dr. Frederick K. Goodwin, is the latest in a series of doctors and researchers whose ties to drugmakers have been uncovered by Senator Charles E. Grassley, Republican of Iowa. Dr. Goodwin, a former director of the National Institute of Mental Health, is the first news media figure to be investigated.

Dr. Goodwin’s weekly radio programs have often touched on subjects important to the commercial interests of the companies for which he consults. In a program broadcast on Sept. 20, 2005, he warned that children with bipolar disorder who were left untreated could suffer brain damage, a controversial view.

“But as we’ll be hearing today,” Dr. Goodwin told his audience, “modern treatments — mood stabilizers in particular — have been proven both safe and effective in bipolar children.”

That same day, GlaxoSmithKline paid Dr. Goodwin $2,500 to give a promotional lecture for its mood stabilizer drug, Lamictal, at the Ritz Carlton Golf Resort in Naples, Fla. In all, GlaxoSmithKline paid him more than $329,000 that year for promoting Lamictal, records given to Congressional investigators show.

In an interview, Dr. Goodwin said that Bill Lichtenstein, the program’s producer, knew of his consulting but that neither thought “getting money from drug companies could be an issue.”

“In retrospect, that should have been disclosed,” he said.

But Mr. Lichtenstein said that he was unaware of Dr. Goodwin’s financial ties to drugmakers and that, after an article in the online magazine Slate this year pointed out that guests on his program had undisclosed affiliations with drugmakers, he called Dr. Goodwin “and asked him point-blank if he was receiving funding from pharmaceutical companies, directly or indirectly, and the answer was, ‘No.’ ”

Asked about the contradiction, Dr. Goodwin and Mr. Lichtenstein each stood by their versions of events.

“The fact that he was out on the stump for pharmaceutical companies was not something we were aware of,” Mr. Lichtenstein said in an interview. “It would have violated our agreements.”

Margaret Low Smith, vice president of National Public Radio, said NPR would remove “The Infinite Mind” from its satellite radio service next week, the earliest date possible. Ms. Smith said that had NPR been aware of Dr. Goodwin’s financial interests, it would not have broadcast the program.

Sarah Alspach, a spokeswoman for GlaxoSmithKline, said, “We continue to believe that healthcare professionals are responsible for making disclosures to their employers and other entities, in this case National Public Radio and its listeners.”

“The Infinite Mind” has won more than 60 journalism awards over 10 years and bills itself as “public radio’s most honored and listened to health and science program.” It has more than one million listeners in more than 300 radio markets. Mr. Lichtenstein said that the last original program was broadcast in October, that reruns have been running since and that “the show is going off the air.”

The program has received major underwriting from the National Institutes of Health and the National Science Foundation, both of which have policies requiring grantees to disclose and manage conflicts of interest. Mr. Grassley wrote letters to both agencies asking whether disclosure rules were followed for the grants. Spokesmen for both agencies said they were cooperating with the investigation.

Mr. Grassley is systematically asking some of the nation’s leading researchers and doctors to provide their conflict-of-interest disclosures, and he is comparing those documents with records of actual payments from drug companies. The records often conflict, sometimes starkly.

In October, Mr. Grassley revealed that Dr. Charles B. Nemeroff of Emory University, an influential psychiatric researcher, earned more than $2.8 million in consulting arrangements with drugmakers from 2000 to 2007, failed to report at least $1.2 million of that income to his university and violated federal research rules. As a result, the National Institutes of Health suspended a $9.3 million research grant to Emory, and Dr. Nemeroff gave up his chairmanship of Emory’s psychiatry department.

In June, the senator revealed that Dr. Joseph Biederman of Harvard, whose work has fueled an explosion in the use of powerful antipsychotic medicines in children, had earned at least $1.6 million from drugmakers from 2000 to 2007, and failed to report most of this income to Harvard.

Mr. Grassley’s investigation demonstrates how deeply pharmaceutical commercial interests reach into academic medicine, and it has shown that universities are all but incapable of policing these arrangements. As a result, almost every major medical school and medical society is reassessing its relationships with makers of drugs and devices.

“We know the drug companies are throwing huge amounts of money at medical researchers, and there’s no clear-cut way to know how much and exactly where,” Mr. Grassley said. “Now it looks like the same thing is happening in journalism.”

Mr. Grassley has proposed legislation that would require drugmakers to disclose all payments of $500 or more to doctors. Eli Lilly and Merck have promised to begin doing so next year.

Dr. Goodwin has written an influential textbook on bipolar disorder and is an adjunct professor at George Washington University. In an interview, he blamed a changing ethical environment for any misunderstandings with Mr. Lichtenstein about his consulting arrangements. “More than 10 years ago, when he and I got involved in this effort, it didn’t occur to me that my doing what every other expert in the field does might be considered a conflict of interest,” Dr. Goodwin said.

He defended the views he expressed in many of his radio programs and said that, because he consulted for so many drugmakers at once, he had no particular bias.

“These companies compete with each other and cancel each other out,” he said.

Industry critics dismiss that view, saying that experts who consult for drugmakers tend to minimize the value of nondrug or older drug treatments.

In the fine print of a study he wrote in 2003, Dr. Goodwin reported consulting or speaking for nine drugmakers, including Pfizer, Johnson & Johnson and Novartis. Mr. Grassley asked for payment information only from GlaxoSmithKline. Dr. Goodwin said that in recent years, GlaxoSmithKline paid him more than other companies.

He said that he had never given marketing lectures for antidepressant medicines like Prozac, so he saw no conflict with a program he hosted in March titled “Prozac Nation: Revisited.” which he introduced by saying, “As you will hear today, there is no credible scientific evidence linking antidepressants to violence or to suicide.”

That same week, Dr. Goodwin earned around $20,000 from GlaxoSmithKline, which for years suppressed studies showing that its antidepressant, Paxil, increased suicidal behaviors.

Tom Rosenstiel, director of the Project for Excellence in Journalism, said that although concerns about news media bias were growing, few people believed that journalists took money from those they covered. Disclosures like those surrounding Dr. Goodwin could change that, “so this kind of thing is very damaging,” Mr. Rosenstiel said.
