LOU DOBBS TONIGHT

Obama's big Plan; An Even Bigger Bailout; Lobbyists in a Frenzy over Bailout; Jobs in the USA; Raise Taxes or cut Services?

Aired November 25, 2008 - 19:00 ET

LOU DOBBS, CNN ANCHOR: Thank you, Miles. Tonight President-elect Obama filling the vacuum of economic leadership in this country, or at least trying to do so. The president-elect, however, not yet offering any specifics on his proposals. And tonight the Bush administration saying it will spend another $800 billion to tackle our economic crisis. I'll be joined by three of the country's top economic thinkers. They'll tell us whether or not Treasury Secretary Paulson has any idea of how to fix this crisis.

And tonight a dire warning about the possible consequences of this crisis on this nation. We'll tell you why one Russian political analyst is now predicting the breakup of the United States. We'll have all of that, all of the day's news and much more from an independent perspective straight ahead here tonight.

ANNOUNCER: This is LOU DOBBS TONIGHT: news, debate, and opinion for Tuesday, November 25th. Live from New York, Lou Dobbs.

DOBBS: Good evening, everybody.

President-elect Obama today promised to impose sharp spending cuts to pay for his economic plans. The president-elect said budget reform is not an option. It's a necessity. But he did not give any details of where those cuts would come.

And meanwhile, Treasury Secretary Hank Paulson again increased the size of the government's bailout by another $800 billion. By some estimates the Treasury secretary has now committed more than $8 trillion to this bailout. That is equivalent to more than half of our entire annual economy. Ed Henry reports from Chicago.

(BEGIN VIDEOTAPE)

ED HENRY, CNN WHITE HOUSE CORRESPONDENT (voice-over): There's a leadership vacuum that President-elect Barack Obama is trying to fill it, sort of.

SEN. BARACK OBAMA (D-IL), PRESIDENT-ELECT OF THE UNITED STATES: There is only one president at the time. Given the extraordinary circumstances that we find ourselves in, however, I think it is very important for the American people to understand that we are putting together a first-class team.

HENRY: A careful calibration Mr. Obama gets credit for stepping up. While leaving the actual responsibility for the crisis on the lame duck president's shoulders plus he gets more breathing space before giving details of his economic stimulus plan or how he plans to cut the budget to pay for a package that may cost $700 billion.

OBAMA: We are going to go through our federal budget as I promised during the campaign, page by page, line by line. Eliminating those programs we don't need.

HENRY: Mr. Obama talked about as sacrifice as he unveiled congressional budget expert Peter Orszag as the new White House budget director and former Clinton official Robert Nabors as deputy budget director. But the president-elect did not name one major budget item he would cut. And reporters who were called on didn't press him on it.

OBAMA: Peter, where is Peter? I didn't recognize you because you don't have the floppy hat that you had during the campaign.

UNIDENTIFIED REPORTER: Actually, I do.
OBAMA: There it is and that's what I'm talking about.

HENRY: After the jocularity Mr. Obama was asked what kind of mandate he has.

OBAMA: I don't think that there is any question that we have a mandate to move the country in a new direction, but I won 53 percent of the vote. That means 46 percent or 47 percent of the country voted for John McCain.

(END VIDEOTAPE)

HENRY: And several sources close to the transition now tell CNN that current Defense Secretary Robert Gates is expected to stay on for at least the first year of the new administration. The high-powered national security team, which is also expected to include Hillary Clinton as secretary of state could be unveiled as early as next week.

Sources close to the transition say the president-elect wanted some continuity at the Pentagon with two wars going on. Some liberal anti-war critics have been raising concerns about this prospect wondering whether that would lead Mr. Obama to change his long position about removing U.S. combat troops from Iraq within 16 months, but I can tell you a senior Obama aide told me the president-elect's policy is not changing and he will make the final call on that policy regardless of who the defense secretary is -- Lou.

DOBBS: Ed, thank you very much. Ed Henry reporting from Chicago.

The Bush administration today added another $800 billion to the government's already massive economic bailout. This is the latest in a series of abrupt policy changes by the Treasury secretary. And that is raising questions about whether Hank Paulson has any idea of how to tackle this economic crisis. Elaine Quijano has our report from the White House.

(END VIDEOTAPE)

ELAINE QUIJANO, CNN WHITE HOUSE CORRESPONDENT (voice-over): It's the government's latest attempt to get banks to start lending money again, $800 billion in Treasury and Federal Reserve programs aimed at making it easier for consumers to get cheaper mortgages, credit card rates and student and car loans.

HENRY PAULSON, TREASURY SECRETARY: This lack of affordable consumer credit undermines consumer spending, as a result weakens our economy.

QUIJANO: Treasury Secretary Henry Paulson announced the move amid more bleak news that the U.S. economy shrank by half a percent during the months of July, August and September. That's the biggest drop in seven years. Secretary Paulson says that figure underscores how what is happening in the financial system is bleeding out into the larger economy and why he argues banks must lend to trigger consumer spending.

PAULSON: As the economy is turning down, it is very important that lending continue to be available and be available to consumers.

QUIJANO: But there are no guarantees the strategy will work and some say could even lead to the same problem of consumers snapping up loans they can't afford.

PAUL LA MONICA, EDITOR-AT-LARGE, CNNMONEY.COM: The hope is that they just at least start lending to people that deserve the loan not necessarily to everyone so that we have a repeat scenario of what happened you know the past few years.

QUIJANO: Another open question, what will happen under Secretary Paulson's successor Tim Geithner? As head of New York's Federal Reserve he has already had a major role in shaping the approach so far. The Treasury Department released a photo of Geithner and Paulson meeting Tuesday afternoon.

(END VIDEOTAPE)
QUIJANO: Now that photo was meant to underscore a message of stability and continuity that the incoming and outgoing administrations are working closely together to tackle this crisis, a message really aimed at trying to calm investors' nerves amid the transition -- Lou.

DOBBS: Elaine, thank you very much. Elaine Quijano from the White House.

New evidence of the scale of this crisis and what is facing our banking industry. The Federal Deposit Insurance Cooperation now says the number of banks that it defines as in trouble soared by 50 percent in just the past three months.

The FDIC now considers 171 of this nation's 8,500 banks to be in trouble. Those 171 banks have assets of more than $115 billion. The FDIC did not reveal the names of the troubled institutions. Lobbyists from the banking industry and other groups are in a frenzy trying to win an even bigger share of the bailout money for their clients.

The list of industries seeking bailout money is expanding every day. Lobbyists making hefty profits even as our economic crisis worsens, Kitty Pilgrim has our report.

(BEGIN VIDEOTAPE)

KITTY PILGRIM, CNN CORRESPONDENT (voice-over): Joan Claybrook of Public Citizen says there is a flotilla of limos on Capitol Hill these days, all filled with lobbyists and she says bailout money is even being spent on you guessed it, more lobbying.

JOAN CLAYBROOK, PUBLIC CITIZEN: Now they are getting bailed out by the U.S. taxpayer and they're using that money to lobby to try and stop any conditions being placed on the bailout money that they get.

PILGRIM: If money is any indicator of influence the auto industry leaders were not paying as much as the financial industry for lobbying. For whatever reason they are clearly not getting as much respect on Capitol Hill this week. According to OpenSecrets.org, Ford spent more than five million, GM close to 10 million and Chrysler four million on lobbying in 2008.

The automakers were excoriated and sent away empty handed with a directive to come back with a better plan. By contrast OpenSecrets.org and their list of who's got the most juice on Capitol Hill lists 53 million for the securities industry as the third largest spender on lobbying. Mortgage bankers and brokers spent 27 million, commercial banks 41 million and the real estate industry 62 million. Did that money buy them a bailout? Here is what Treasury Secretary Paulson had to say today.

PAULSON: I and my regulatory colleagues are committed to using all the tools at our disposal to preserve the strength of our financial institutions and stabilize our financial markets to minimize the spillover into the rest of the economy.

PILGRIM: Paulson said he is not ruling out making the insurance industry eligible for TARP funding. Insurers spent $116 million in lobbying this year.

(END VIDEOTAPE)

PILGRIM: Now there are lobbying rules that prevent former senior staffers in the Senate from lobbying committees they served on for at least one year. Joan Claybrook of Public Citizen is among those who want more lobbying transparency and she says that there should be at least a three-year cooling off period before former staffers can lobby, at the very least, Lou.

DOBBS: At the very least. Thanks very much. Kitty Pilgrim.

Well one company receiving huge amounts of government assistance in this bailout is AIG. AIG today slashed compensation for its top executives. AIG has so far received about $150 billion from the government. That's more than any other firm. AIG today saying its CEO Edward Liddy will be paid only $1 a year this year and next.
There will be no bonuses or salary increases for the company’s top seven executives until 2010 and the company announced there will be no salary increases for the next 50 senior executives. AIG making this announcement today after a barrage of criticism for its lavish compensation packages and corporate junkets at luxury results, all at the expense of the taxpayer footing the bill for this bailout of AIG.

Our worsening economic crisis is raising questions overseas about U.S. global leadership. One leading Russian political analyst even saying now that our crisis in this economy could well lead to the breakup of the United States. Professor Igor Panarin (ph) told the newspaper "Isvestia" that "the dollar isn’t secured by anything. The country's foreign debt has grown like an avalanche. This is a pyramid which has to collapse."

Panarin predicted that the United States will break up into a Pacific Coast region, the south, Texas and Atlantic zone, central states and the northern states and meanwhile another example of Russia’s assertiveness and increasing aggressiveness, four Russian navy ships today arrived in Venezuela. The warships include the biggest ship in the Russian navy, a nuclear-powered cruiser.

Turning now to the war in Iraq, insurgents today killed two more of our troops. Our troops were attacked near the northern city of Mosul. Sixteen of our troops have been killed in Iraq so far this month; this is still one of the lowest monthly totals of this war; 4,206 of our troops have been killed since the war began; 30,840 of our troops have been wounded; 13,595 of them seriously.

Up next here, Russia's aggressive new challenge to American interests all around the world. We'll examine the impact of this economic crisis on U.S. global power. We'll also be reporting on safety inspectors finding melamine in infant formula made in the United States. Is this another example of the FDA bungling?

And rising pressure on the big three carmakers to stop all overseas outsourcing and off shoring of production in return for a government taxpayer bailout. We'll have that special report and a great deal more straight ahead.

(COMMERCIAL BREAK)

DOBBS: U.S. carmakers are pushing for a $25 billion bailout funded of course with taxpayer dollars. But the auto industry outsources much of its manufacturing overseas and American manufactures want Congress to require the big three to create manufacturing jobs here as part of any taxpayer funded bailout. Bill Tucker has our report.

(BEGIN VIDEOTAPE)

BILL TUCKER, CNN CORRESPONDENT (voice-over): In the past nine years employment in American motor vehicle and parts manufacturing has fallen almost 37 percent, according to the Bureau of Labor Statistics. That is a loss of half a million jobs. During that nine years, America racked up cumulative trade deficits of motor vehicles and parts of more than $1 trillion according to the Department of Commerce. Those grim figures add up to one simple idea by domestic manufacturing groups. As a condition of any loans to the auto industry require the big three to buy American as they retool and buy American as they restock their factories.

ROB DUMONT, TOOLING, MFG. & TECH. ASSOC.: If we are going to assist the auto industry with the American taxpayers’ money then by all means I think the American taxpayer needs to be at the head of the line when the benefit of that flows.

TUCKER: American tax dollars going to create American jobs, an idea that not everyone thinks is a good one.

SCOTT LILLY, CENTER FOR AMERICAN PROGRESS: I think we would be in violation of treaties and I also think that we would be -- I think you could draft it but you would violate treaties. I think you would open the door for retaliatory acts by other countries that would hurt American products going overseas.

TUCKER: Maybe but not necessarily so. The American market remains the largest market in the world. The United States imported more than $2 trillion worth of goods and services last year giving us a powerful economic position we should not ignore say the proponents of the buy American requirement.
LLOYD WOOD, AMER. MFT. TRADE ACTION COALITION: The United States can't afford to worry about some of the niceties out there. You see other countries, they go out and defend their own economic interests. We need to do the same.

TUCKER: The financial sector of the economy as of last month employed eight million workers, manufacturing employed over 13 million.

(END VIDEOTAPE)

TUCKER: But so far the financial sector has received trillions of dollars in bailout money. The manufacturing side of the economy which was 12 percent of the GDP last year and the paychecks that industry provides, Lou, as you know, has been virtually ignored.

DOBBS: And as we've reported here, manufacturing employment in this country now down to the same level as of 1942.

TUCKER: Right.


Well that brings us to the subject of tonight's poll -- excuse me. Should companies receiving taxpayer bailout money be required to keep jobs here in the United States? Or should be really, really cruel and just throw the country away? Yes or no. I didn't mean to editorialize there. Forgive me. Yes or no. Cast your vote at loudobbs.com. We'll have the results here later in the broadcast.

Well the language of the financial crisis today receiving formal recognition. Merriam Webster announcing its top 10 words of 2008, the number one winner should be no surprise to anyone. The word is bailout. Defined as a rescue from financial distress. Some of the other top 10 words, socialism, precipice and turmoil.

Up next many states facing tough choices, raising taxes or cutting services. You won't believe what the FDA found in baby formula today made in this country. That story is next.

(COMMERCIAL BREAK)

DOBBS: Disturbing new reports about the safety of our nation's food supply. The Food and Drug Administration today saying very low trace levels of melamine have been found in a test sample of infant formula made in the United States.

An FDA official said the melamine found is quote "no cause for concern" end quote. This is the same FDA that took months to find the cause of the recent salmonella outbreak and incorrectly named tomatoes as the source. Melamine contamination in China left at least four infants dead and sickened tens of thousands. Milk products imported from communist China are being blocked at U.S. ports now, until tests show that they are not contaminated.

The nation's financial crisis leaving many states facing huge deficits. The state governments are victims of their own excessive spending and a decline in revenues. The result a tough choice for state governments and citizens. Higher taxes or fewer services. Lisa Sylvester reports.

(BEGIN VIDEOTAPE)

LISA SYLVESTER, CNN CORRESPONDENT (voice-over): States have enjoyed many profitable years but now hard times are here. The housing market collapse has meant a drop in state's property taxes. Consumers are cutting back on spending so sales taxes are down. And as unemployment rises, state income taxes are falling. Many state officials haven't seen a crisis of this magnitude in recent memory.

MICHAEL BIRD, NATL CONF. OF STATE LEGISLATURES: What is so different about this one is that you've got the convergence of a housing problem, the credit crunch, financial institutions who are in crisis.
SYLVESTER: At the same time state revenue is dropping more families are tapping into state services like unemployment insurance and food stamps. According to the National Conference of State Legislatures, the budget gap for 31 states is now at $40 billion and that number is expected to soar by the year’s end.

On top of all of this, states are having a tough time raising funds through municipal bonds. They are facing higher interest rates and the insurance companies that back up those bonds are on the verge of going under. Some towns in Connecticut are considering not building new schools.

Missouri may need to put off what they say are badly needed repairs at the St. Louis airport and states, towns and cities that have to balance their budget by law are scaling back.

NANCI NISHIMURA, COTCETT, PITRE & MCCARTHY: Schools are cutting services, cutting classroom time. They are going to have to fire teachers. Senior centers are going to have to cut its services to the seniors because it has to take the money from somewhere.

SYLVESTER: The states are asking the federal government for help as part of the economic stimulus package, saying Congress helped out Wall Street, now its time for Main Street.

(END VIDEOTAPE)

SYLVESTER: And the credit crunch is real for many towns and cities. They are having a hard time finding financing to build roads and schools. Some cities like San Francisco are suing the bond insurers accusing them of fraud. The municipalities took out bond insurance policies, but what they did not know is that the insurers were also backing up sub prime mortgage pools and now for some towns those mortgage insurance policies are worthless and the taxpayers are now having to pay huge increases in bond interest rates at the same time they are facing this enormous (INAUDIBLE) crisis -- Lou.

DOBBS: Lisa, thank you very much. Lisa Sylvester.

Let's take a look now at some of your thoughts.

Tom in Texas wrote in to say: "Lou, would it be possible to offer President Bush a buyout? If so I would like to donate to the buyout fund. Please let me know where to send the check."

Suzanne in Arizona said: "Been watching your show for over a year now and love it. It is refreshing to be able to watch the news from someone who is not afraid to state the facts good or bad."

And Roy in Illinois: "It is obvious that the Bush administration is totally incompetent with this Wall Street bailout. Now we've learned that he has pardoned drug dealers. Why doesn't President Bush turn the government over to the Obama administration early? It would save himself from further embarrassment and maybe help this country."

We'll have more of your thoughts here later in the broadcast. Each of you whose e-mail is read here receives a copy of my new book "Independents Day: Awakening the American Spirit", now available in paperback.

Up next, Russia sends its navy into the Western Hemisphere to challenge American interests. One Russian political analyst now predicting the United States could break up as our economic crisis worsens. And the cost of the economic bailout has risen to more than $8 trillion, more than half our entire annual economy. Three of our country's top economic thinkers join me.

And President-elect Obama and President Bush both trying to tackle this economic crisis. We'll have a special report on leadership next.

(COMERCIAL BREAK)
DOBBS: Welcome back. Joining me now with more on the Treasury secretary's newly announced $800 billion additional bailout plan, three of the best economic minds in the country, Pulitzer Prize winning journalist David Cay Johnston, also the author of "Free Lunch: How the Wealthiest Americans Enrich Themselves at Government Expense" -- David, good to have you with us. In our Washington, D.C. Bureau, Professor Peter Morici of the Robert A. Smith School of Business at the University of Maryland -- Professor, good to have you with us -- and from Philadelphia, Professor Susan Wachter of the Wharton School of Business -- and Professor, good to have you with us.

UNIDENTIFIED FEMALE: A pleasure.

DOBBS: Let's start, if I may, with you Susan. What is going on? It was just last Thursday that the Treasury secretary said they wanted to leave about half of that $700 billion bailout money for the Obama administration, and then they bailed out Citigroup over the weekend and now they've added $800 billion. I'm having a hard time staying up with the program. How about you?

SUSAN WACHTER, WHARTON SCHOOL OF BUSINESS: Well it's pretty -- this -- these series of events of course continue in a mind-boggling way. Look, Citigroup was about to implode. And it wasn't predictable. It was going to happen at some point, but needed to respond to that.

Now this plan today is something else. I think that Paulson had this in mind. They -- he really wants to help the banks again through the consumer credit support announced today.

DOBBS: Professor Morici?

PROF. PETER MORICI, UNIVERSITY OF MARYLAND: Well I think they absolutely needed to do this because credit markets are locked up. People can't get consumer credit. It's getting too expensive. Mortgage money is just not adequately available, but you have to acknowledge this is a giant Band-Aid. These are the things that banks should be doing. We put $300 billion into Citigroup and it refuses to do these kinds of things. Instead Vikram Pandit has been around cruising the high seas of financial services looking for other activities. It is an absolute scandal this is required after all the money we have put into the banks. DOBBS: And, David, this just doesn't get any better because we are spending $800 billion as Professor Wachter suggests, but that was when we spent about $2 trillion through the Fed facilities to get banks to do. I mean, we are looking kind of stupid here, aren't we?

JOHNSTON: We are not only looking stupid, but where does this stop we are imposing a whole new set of risks now while we are still seeing falling prices for stocks. What we are going to run into enormous inflation down the road. You remember that money tree we talked about a couple of weeks ago, it looks like Washington thinks it has a grove of trees growing money.

DOBBS: And best I can tell, Professor Wachter, there is no limit to the money available to Washington, DC. The best estimate I have seen with $800 billion today, Bloomberg news has done a calculation of 7.4 in money that has been pledged to support the efforts to resolve this crisis. We are talking about over $8 trillion. We went back and took a look at the worst recession since World War II. We can't find any that approached five percent of the GDP, for crying out loud, we are throwing 60 percent of GDP at a crisis that is undefined by our national, economic and political leaders.

WACHTER: Yes, that's true. On the other hand we are potentially in a deflationary scenario. The most recent data shows deflation. And the way to counter that is open up the spending and clearly that's what's happening.

DOBBS: Do you think that is a great idea, Professor Morici?

MORICI: Well, all this money is locked up inside the banks. David Cay is right. They are both right. Susan is right we need cash out there so we are doing that today with the $800 billion. Because the banks have locked up the cash. But David is right, sooner or later the banks are going to open up. When that happens we are going to have more money out there and we are going to have inflation and that will be a distressful situation because there is no way of pulling it all back.
DOBBS: If we could, I'd like you to hear the president-elect today talking about this bailout and the government response to this point.

(BEGIN VIDEO CLIP)

SEN. BARACK OBAMA, (D) PRESIDENT-ELECT: We can't sustain a system that bleeds billions of taxpayer dollars on programs that have outlived their usefulness or exist solely because of the power of politicians, lobbyists or interest groups. We simply can't afford it. This isn't about big government or small government. It's about building a smarter government, that focuses on what works. That's why I will ask my new team to think anew and act anew to meet our new challenges.

DOBBS: Folks, let me ask you this question, president-elect calling and reasonably so, for fiscal restraint. But Susan, how can there be fiscal restraint when we have -- we are witnessing just the government throwing money in every direction it can?

WACHTER: Well, he wants effective government. We all want effective government. We also have to have an economy that works and we have to have people who are working. The short run goal here in terms of efficacy is getting us out of what might be a serious recession. We need to do the spending, hopefully it is going to be effective spending not only in terms of getting us out but for good works.

DOBBS: Have we any idea David Cay Johnston what that would be? Look, I give the president-elect great credit for stepping up here. He stepped into this thing looks like beginning Friday sensing there was a total vacuum of leadership on the economy in Washington. I give him great credit for that. Talk about fiscal restraint when what is happening is transparently and obviously the opposite in Washington.

JOHNSTON: Well, it is the opposite. And, you know, remember Grover Norquist said he wanted to shrink government down to where he could drown it in a bathtub. It looks like we are giving him a swimming pool with which to do it with. This debt level is not sustainable. It will consume an enormous parts of our taxes, squeeze everything else out and maybe it will turn the Democratic Party into the party of fiscal restraint which would be a remarkable development in American politics.

DOBBS: Is there going to be, though, any capacity for restraint if the result is absolute runaway hyperinflation? Because how could there be any other results with trillions and trillions of dollars being thrown at this problem.

MORICI: Well, as I said, All this money is locked up in the banks. He did to me sound like a man without plan. Putting Tim Geithner there over the weekend. What was Tim Geithner doing before becoming treasury secretary designate? He was one of the principle architects of this plan for Citigroup.

We spent two percent of GDP to bail out Citigroup and we don't own the bank now. The shareholders get to keep the bank, Vikram Pandit and his executives get to keep their jobs. I would like to know what the American people got for that and if that is fiscal responsibility and that is what Geithner is going to bring to the Treasury I think maybe Obama should rethink his nominee.

DOBBS: What do you think, Susan? Look, we all want the best result here without question. But at some point we have got to see progress and we're not seeing it. Is it possible and I'm asking you all as economists and some of the best economic thinkers in the country, is it just possible that we don't have a clue about how to deal with this crisis and we need to all step back and say it is time for new thinking, fresh thinking and to step away from the cycle we have seemed to entrapped ourselves in which is just throwing literally trillions of dollars at a problem that is at this point pretty much undefined?

WACHTER: Well, there clearly is an ad hoc element to this. We have got to step back. It is interesting because Tim Geithner is continuity, he is continuity so how does he step back? There are other people on the team. And we have to get to the basics here. Remember, it all started in housing. We still don't have a solution to deteriorating housing.

DOBBS: Let me ask you this, too. There isn't a discussion of the moral issues involved. You all alluded to one aspect of this. And that is as Peter Morici pointed out, we don't own Citibank. We don't own Citigroup. The investors of a defunct organization or one that was
about to go defunct received a 60 percent boost in their equity holdings thanks to the government. There is no change in management. No change in leadership and a million people lost their homes to foreclosure. Another million face the prospect of doing so and the government is not responding to that crisis.

Why isn't there some political discussion, some economic discussion of the morality of this? David?

JOHNSTON: Lou, because for years, Lou, we have driven morality out of these discussions and we've only talked about them in practical terms. We are up to $8 trillion now. Now the total amount of mortgages in this country is around $10 trillion or $11 trillion. So we have gone way over the size of the problem we are seeking to address. And what is happening is as if you had a war being conducted and led by the lieutenants and captains. It is all tactical. There is no fundamental strategy.

MORICI: That's right.

JOHNSTON: And there also seems to be an absolute unwillingness that these artificially inflated assets have to deflate. We can't allow them to not deflate without ruining the rest of our economy and bringing on perhaps much worse conditions than what we are afraid of.

WACHTER: So we agree we should not allow them to deflate. We agree that cannot happen. Leaving aside morality, for a moment, although I agree with you, we have practicality here. We have to …

DOBBS: Where the heck is the practicality, professor?

WACHTER: The practicality is that the mortgage market continues to implode. We have another deceleration of housing prices. We see no deceleration only acceleration of housing price declines. There is no saving the banks if housing prices which back their mortgages keep deteriorating.

DOBBS: Professor Morici, you get the last word.

MORICI: What about the real part of the economy, the manufacturing economy that has been taking it on the chin from the overvalued dollar against the Chinese yuan. We could get an enormous fix that problem. Put a tax on dollar yuan conversions equal to the subsidy the Chinese government is putting in place by selling those yuans for dollars and stashing them at the Federal Reserve. If we did that, that would solve a lot of problems.

DOBBS: There is just one thing I want to leave everybody with. If we had taken for $206,000 the average price of the house at the time last year with 1 million houses, just under a million houses foreclosed it would have cost the Treasury, the Federal Reserve, if they wanted to pay off all those loans that put people into foreclosure, that weren't being paid it would have only cost the government $200 billion to have paid off every one of those loans and avoided those foreclosures.

WACHTER: A lost opportunity.

MORICI: The mortgage backed securities in the United States only come to $2 trillion. We could have paid of all the mortgage backed securities.

DOBBS: The American people are absolutely, I mean, what is being done here is disgusting and in my opinion it is criminal.

WACHTER: Lost opportunity and we continue to lose it.

DOBBS: We'll have that discussion another time. Professor Wachter, thank you very much. Professor Morici, David Cay Johnston, thank you very much.

Up next, the treasury secretary abruptly changing policy and reversing himself again. Does anybody in this administration have a clue what it is doing? And President-Elect Obama steps in because, well, apparently some on his team think probably they need a little help
finding clues.

I will be joined by three of the best radio talk show hosts in the country here next. We'll be right back.

(COMMERCIAL BREAK)

DOBBS: Joining me now three of my favorite radio talk show hosts in all the country and here in New York.

Errol Louis. WWRL, Errol is also columnist for the "New York Daily News" and a contributor to this broadcast and a pal.

Steve Malzberg of WOR Radio, great to have you with us, Steve.

And in Houston Dan Patrick of KSEV Houston, KVCE in Dallas and also a Texas state senator. And let me just ask you first, Dan Patrick, you say your listeners have pointed out the Obama administration is starting to look like a redo of the Clinton administration but is that all bad?

DAN PATRICK, KSEV IN HOUSTON: We don't know yet if it is all bad. But I don't think many of us were not impressed by the Clinton administration and particularly the people in that administration. Clinton got credit for an economy that they deserve no credit for. It was the dot-com bubble and Clinton rode that.

DOBBS: But it sure looks pretty good right now, doesn't it?

PATRICK: Well, it sure looks good, but I don't know he gets credit for it. But I think a lot of the listeners and a lot of Americans say what is this about change. We are seeing the same people come back from the Clinton administration. And, Lou, the other thing concerning to Americans is this entire financial meltdown has been caused in large part by government and Wall Street and we see the same people changing positions or staying in positions that are now trying to solve it. And it is very troubling.

DOBBS: What do you think, Steve?

STEVE MALZBERG, WOR IN NEW YORK: Robert Rubin, a lot of these people have chosen as disciples of Robert Rubin, isn't he the guy in charge of Citibank and Citigroup and ran that into the ground?

It's like the same characters are shuffled around. The government has no idea. They put it on a plate like spaghetti throw it against the wall and says let's try this. This government wants to run our health care, wants to radically change education. The government can't handle this. They can't be trusted to handle what we cherish most of all, and that's - I hate to change subjects - and that's our health care. The government doesn't know what they are doing in this case. They don't.

DOBBS: They certainly haven't demonstrated it. The problem I have got Errol, we are talking significant money, unprecedented amount of money being thrown, 60 percent of our GDP being thrown at an issue that would have reasonably been expected to be at most five percent of our GDP in a recession and that is a deep, deep recession. How have we gotten this far afield in terms of public policy on the economy?

ERROL LOUIS, "NEW YORK DAILY NEWS": I think what Dan and Steve said is right. We have the same cast of characters. There are, very much like the three economists you just had on. There are other voices that are out there, we are just not hearing them. When we got locked into this downward spiral of thinking you had to have an MBA or an economics PhD or 1,000 years in government to sit at the table and talk about this problem you go off the rails right there. There is a lot of creative thinking out there, there is community-based financial institutions, there are creatively thinking economists who don't get a hearing, they don't get invited to Washington to talk about what we are supposed to do.

DOBBS: Let me say right now, Bill Isaac, the former head of the FDIC said at the outset that the United States government through the FDIC and the Treasury Department with its approval calling for an emergency order should be putting money into the balance sheets of
these failing banks and financial institutions which would give them a 10 to 1 leverage for every dollar of taxpayer money put there.

LOUIS: The FDIC knows this. When they take over an institution the first thing they do is kick out the board. They really take over the institution. They know how to do a bailout.

DOBBS: Let me ask, Dan Patrick, what happened to the free market, any cost Republicans who said, you know, we are not going to -- for crying out loud, the GOP platform says no bailouts because we know it doesn't work. I mean what is going on?

PATRICK: Well, it's not the people who support the bailout. It's the elected officials who are not representing the people in the Republican Party. It's one of the reasons the Republican Party is in trouble, Lou. The people don't support these bailouts. They believe in free markets. And if you succeed you get a reward and if you fail you pay the price.

Most people don't want to see General Motors fail but they also don't want their tax dollars and bail out a company that has had bad ideas and bad management.

DOBBS: I want somebody to explain this to me, Steve, anybody, all right, how is it everyone wants General Motors and Ford in particular to come back with a plan how they are going to spend $25 billion but the Federal Reserve and the Treasury throw $8 trillion at wall street and the banking industry and they don't want to get a greeting card from them.

MALZBERG: No. You are absolutely right. It is the epitome of hypocrisy. Going back to your question about where are the Republicans? Where are the people? We were told - go back to the original. The credit market is frozen, if we don't do something by this weekend we are all going die. So they pass this extensive bailout.

DOBBS: Wait. Wait. Wait. We have to add one thing. Even with the fear mongering they knew they couldn't get it through unless they added $150 billion in pork.

MALZBERG: Absolutely. But the point was if we don't do it now nobody will get credit. Then they say it will take six months to take effect. And we're still in the same position. Banks have money and won't lend money. What is going on here?

PATRICK: Lou, how did we get in the situation where we give the banks the money and we allow them to hoard the money when we know what we need to do is get the money out into the hands of the public so they can have student loans, car loans, home loans.

DOBBS: Part of the answer and we will explore that after this commercial break. But I believe part of the answer is Hank Paulson found himself duty bound to take care of his buddies on Wall Street first. We'll be back with our panel in just a minute. And a reminder to vote in our poll tonight. The question is should companies receiving taxpayer bailout money be required to keep jobs here in the United States. A novel idea. Yes or no? Cast your vote at loudobbs.com. We'll be right back with the results.

And coming up at the top of the hour, CAMPBELL BROWN, NO BIAS, NO BULL. Tom Foreman filling in for Campbell. Tom, what are you working on?

TOM FOREMAN, CNN HOST: Thanks, Lou.

In just a few moments, new developments on tonight's important breaking news. We're hearing that Defense Secretary Robert Gates will be staying on for at least one more year. Very important at a time of war in Iraq and Afghanistan. President-Elect Obama apparently is making good on his promise to keep at least part of the Republican team on. Also tonight we'll shine our NO BIAS, NO BULL spotlight on those who are already getting government handouts even though a lot of people say they don't need it.

Plus the important court case that gets to the heart of why people do things online they would never think of doing in public. A conversation you have to hear. I'm Tom Foreman. We'll be back, Lou.

DOBBS: Look forward to it, Tom. Thank you.
And a reminder to join me on the radio Monday through Friday for the LOU DOBBS SHOW. Tomorrow guests includes Steve Forbes, president of "Forbes" magazine, Harvey Eisen, chairman of Benford Oak Partners. We'll be talking about this economic crisis. Go to loudobbsradio.com to get the local listings for the show in your area.

We'll be back with more from our panel answering the important questions of how did we get this far out of control in Washington, DC?

(COMMERCIAL BREAK)

DOBBS: Well, we're back with Errol Louis, Steve Malzberg and Dan Patrick. Let me turn first if I can first to Dan Patrick.

This auto industry bailout, we got to have it. There's just no question. Whatever the reason is, national security, you name it. Three million people lose their jobs. We have got to do something. I don't get why Congress is so uptight about this idea after basically signing on for $8 trillion. Do you, Dan?

PATRICK: Well, I do get it from this standpoint, Lou, is until we see a plan that they're going to change their business model, we're bridging the gap until they eventually go bankrupt. I'm not a favor of any of these bailouts but I would rather see let's bail out the middle class that you had a story earlier in the show that's being hammered. Give each family a voucher for $5,000 that can only be used if they buy a new truck or automobile.

That will start moving inventory. Your idea of 13 months ago that we need to buy up the foreclosure homes. Rework the loans so there are no more foreclosures. We need some practical thinking on the main street level to help the average, American family. That's what we need to help get the economy rolling. Once the economy is rolling, everything takes care of itself but I'm tired of giving money to Wall Street, tired of seeing Congress have no transparency where this money is going.

Let's put it in the pockets of the people. We got here, Lou, because once upon a time, the saying was, we're spending our children's money and our grandchildren's money. This government is now spending our great grandchildren's money and the factor of inflation and debt is going to destroy this country. MALZBERG: Back to the bailout of the auto industry, I know what my callers resent the most and what I resent is that we're going to pay and Congress, Nancy Pelosi and Harry Reid never talk, they say the CEOs have to restructure, the company has to restructure, the shareholders have to suffer but they never mention the United Auto Workers. We're paying health care for retired workers and families for the rest of their lives. If that doesn't change I don't want to give them a penny.

PATRICK: You think the Democrats want to take on the union?

MALZBERG: They have no choice.

PATRICK: I don't think so.

LOUIS: Here's the Gordian knot. The pension and the health care benefits that in other countries are paid for by the government that adds $1,500 relatively speaking to the price of an American car.

DOBBS: You know how much health care we could have bought for $8 trillion?

LOUIS: All of it for everybody.

DOBBS: We could buy a car for every man, woman and child. We are played for idiots and we are still not answering the moral question and that is, what are we doing and why? And why have we let a million homes be foreclosed upon in this country? Another million of the fellow citizens facing foreclosure and have a discussion about Citibank and their officers remain in the jobs? The same at AIG and every one of the institutions. And their shareholders are bailed out while the taxpayer's on the hook. I mean, for crying out loud, how much dumber can it get.
MALZBERG: We didn't get a stake with Citibank. We got nothing.

LOUIS: It can get dumber. The only light at the end of the tunnel I see is if a significant amount of bailout money is in infrastructure, something of value that people use. We won't have lost everything.

DOBBS: Going to be the last word.

Thank you very much, Errol. Thank you very much, Dan. Thank you, Steve, appreciate it.

Up next, political correctness run amok? Which institution is banning all holiday decorations. Stay with us. You're going to be aggravated but stay with us anyway.

(COMMERCIAL BREAK)

DOBBS: Well, political correctness has overwhelmed one college campus. Florida Gulf Coast University has announced all holiday decorations will be banned in so-called common spaces. University President Wilson Bradshaw has said it's a challenging issue as he put it and the school struggled with a way to honor and respect all traditions.

In addition, to the university's giving tree for needy children has been replaced with a giving garden. Can you believe how stupid a college can be? That is about as ignorant as it gets. Good work and if you're paying for a kid's tuition at that school, I suggest you get a refund.

Let's turn to the poll. The results, just 98 percent of you say companies receiving bailout money from the taxpayers should be required to keep jobs here in the United States.

We want to know who the two percent is. We have got to talk. Time now for some of your thoughts. Very quickly.

Jimmy in Virginia said, "What we have in this bailout of the banks is the inept, corrupt politicians trying to help the incompetent, corrupt CEOs."

And Elnor in California said, "It will soon be Thanksgiving. For what, I am not sure. However, I am volunteering to prepare dinner for Congress and the administration. The menu is quite simple, Humble Pie."

Well, we do have a lot to say thanks for so don't forget to do just that. Say thanks.

And send us your thoughts to loudobbs.com. Thanks for being with us tonight. NO BIAS, NO BULL starts right now with Tom Foreman in for Campbell Brown. Tom?