

**CENTER FOR AMERICAN PROGRESS
IMPROVING THE REGULATION OF SPECIAL INTEREST EFFORTS
TO AFFECT PUBLIC POLICY**

**INTRODUCTIONS/
WHAT IS LOBBYING AND HOW DOES IT AFFECT OUR DAILY
LIVES?**

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JOHN PODESTA: Good morning, everyone. I'm John Podesta. I'm the president of the Center for American Progress. I'm going to be brief, but I wanted to thank you all for coming today to this event on the regulation of lobbying and special interests. This is an important topic and I think this is a very important time for addressing it.

If you needed any additional evidence of that, I'd refer you to the front page of the Washington Post this morning. Let me just read briefly from a story by Brady Dennis: "President Obama will head to Wall Street on Monday to try to breathe new life into efforts to overhaul the financial regulatory system, an undertaking he has said 'is essential to halting the abuses and failures that have led to the current crisis.' While the health-care debate has raged nationwide throughout the summer, financial reform virtually vanished from the public radar; even as an army of lobbyists worked on Capitol Hill to reshape the president's agenda."

So I think we're in for a very interesting discussion today about a system that underlies those two paragraphs in today's Post. I do want to note, at the outset, that the Center for American Progress has had a great collaboration with our cohost today, American University and particularly, with Jim Thurber. Jim and our senior fellow Scott Lilly, who spent several decades on Capitol Hill and is now today one of the great Congress watchers in Washington, have put together forums that have examined how well we as Americans are governing ourselves. I guess you might say that have had a chance to look under the hood of our democracy itself. The topics have ranged from whether the balance of power between the branches of our government have been appropriate to the exercise of congressional oversight, to how to make presidential transitions more effective – something, I guess, I know something a little bit about these days.

Today we'll be discussing the role that special interests have in developing government policy and how effective current laws and administrative rules are in restraining excessive influence – and whether some of these rules have the unintended effect of discouraging some of our best and brightest people in the NGO sector from serving in government.

These are important questions, as the current debate on health care illustrates. Certainly all interests have the right to petition Congress and the executive branch to let policymakers know how various proposals will affect them, their shareholders, their employees, their customers and the communities they serve. The founders certainly understood that the right to petition Congress was needed to provide information required for good policy formulation and essential to ensure legitimacy of governmental action. But when some segments of society become so strong, with so many resources to manipulate the policy process that they diminish the voice of others, we see an equal diminution of the quality of our democracy.

The goal is to ensure that all interests, big and small, have a chance to be heard. But we must also ensure that the voices of ordinary citizens are kept at the forefront of our policy debates. That's becoming an increasingly difficult task, but one that is essential to the future of how we govern ourselves as a people.

I'd like to introduce, again, our cohost, our first speaker this morning, Dr. Cornelius Kerwin, one of the country's most prominent experts in public policy and the regulatory process. Neil's just completed his second year as president of American University, where he is doing an outstanding job. He was previously the interim president, provost and dean of the school of public affairs. Dr. Kerwin's research focuses on administrative process, policy implementation and American government and he also founded AU Center on the Study of Rulemaking. So please welcome and give a warm welcome to Neil Kerwin, president of American University. (Applause.)

CORNELIUS KERWIN: Well, thank you John and thank you for a superb framing of the issues that are going to be dealt with today. My primary objective this morning is to congratulate a colleague, and that is to congratulate Jim Thurber and the Center for Congressional and Presidential Studies on the beginning of its 30th year of operation at AU. The center has for its entire existence done what John Podesta just described – engage some of the most important and meaningful issues related to the infrastructure of our governance and government, done it in a timely way resulting in information that is as valuable to the scholarly community as it is to the practitioner community.

I also want to thank the Center for American Progress. John, thank you very much again for all your assistance and your partnerships. The Council for Economic Development has also been a faithful partner on this one as has the American Bar Association. I would only to John's comments, never before in my time in Washington, which is now extended, has the need for high quality information for our public policy been more acute. And never before in my time in Washington has suspicion been higher about the sources of that information in many cases. We are going through a historic period with regard to the legislative process. Pieces of legislation that are probably every bit as important as the watershed laws we all lived through in the '70s are now on the table under consideration.

I would only add that in the course of today's conversation I hope someone is also willing to talk a bit about what happens when those bills leave the Hill. The work then begins on the drafting of thousands of regulations, as dependent, if not more, on the high quality information that in many instances the lobbying, and public affairs community provides. So I want to again congratulate Jim in marking his 30th anniversary with this very, very important session, turn the podium to the dean of the school of public affairs in which the center resides, Dr. William LeoGrande, also a political scientist and a great supporter of Jim's work. Bill? (Applause.)

WILLIAM LEOGRANDE: Thank you, Neil, and welcome on behalf of the school of public affairs. I'm very pleased to welcome you this morning. Our school is one of six schools at American University and it's home to a number of special research centers and institutes. The Center for Congressional and Presidential Studies, founded and directed by distinguished professor Jim Thurber is unquestionably one of the school's crown jewels.

As Neil said, CCPS is celebrating its 30th anniversary this year; 30 years in which it has organized literally hundreds of bipartisan forums and conferences on topics related to Congress, the presidency, campaigns, elections and lobbying. It's a place that brings together academics,

journalists, practitioners and students and the public to discuss to important issues facing our democracy. The school of public affairs takes special pride in this mission, developing new knowledge through research, testing that knowledge through interaction with practitioners and bringing that knowledge to bear on the urgent public issues of the day.

CCPS offers two experiential learning courses on lobbying: The Public Affairs Advocacy Institute and the European Public Affairs Advocacy Institute in Brussels. And the idea of these institutes is to bring our students together with working professionals in the field to give them real hands-on experience in how the public affairs community operates. So we have a very practical and immediate interest in the issues that will be explored today.

The conference today brings together well-known academic experts from a variety of organizations and universities to look at the impact of lobbying reform and the subject is obviously a timely time. As both John and Neil said, we're in the midst of a health-care reform debate, one of the most important domestic policy debates in years, and it's a debate in which lobbyists, professional, grassroots and AstroTurf, are all in hot contention.

I want to thank the participants in advance for sharing their knowledge and wisdom on this topic, and I also want to thank again our cosponsors, American University Center for the Study of Rulemaking, The Center for American Progress, The Committee on Economic Development and The American Bar Association.

And finally, now, it's my pleasure to introduce Scott Lilly. Scott is a senior fellow at The Center for American Progress and he writes on and conducts research on a wide range of issues, including the legislative process, federal budgeting, national security and the economy. He joined the center in 2004, after 31 years of service in the United States Congress. He served as clerk and staff director of the House Appropriations Committee, executive director of the House Democratic Study Group, executive director of the Joint Economic Committee and chief of staff in the office of Congressman Dave Obey.

Prior to his service in Congress, he served as director of campaign services for the Democratic National Committee. And during his career, he's been engaged in a wide variety of policy matters, ranging across the entire spectrum of government activities. He's worked in various efforts to reform the legislative process in Congress, so he knows these issues first hand. Scott Lilly. (Applause.)

SCOTT LILLY: I'm going to go ahead and introduce Bob, even though he's not here, and introduce Wendell, and then I'm going to make some remarks, and hopefully he'll be here by the time I finish. Wendell will be the second speaker this morning.

As has been said by several speakers already, this is not only an important but a very timely topic. We're talking about the quality of our country as a democracy when we talk about whether or not special interests are intruding intrusively into the decision-making process. And I think we have a terrific panel here to start it off.

Bob Kaiser is truly one of the giants in American journalism; he joined the staff of the Washington Post before graduating from Yale in 1964 and he's been with the Post now for 45 years. And I'm just told that he's not going to be here, okay. So Wendell and I are going to have to proceed – (chuckles) – with this panel.

At any rate, I would like to say that I greatly regret that Bob's not going to be here because his book, "So Damn Much Money: The Triumph of Lobbying and the Corrosion of American Government," is truly one of the great pieces that has been written on this topic in recent years. It follows one particular lobby firm in Washington, but I think it also explains a great deal about the culture of legislative advocacy for the private sector that was not well-understood before he wrote it. And if you haven't read it, I would encourage you to do so.

John Kennedy wrote, more than 50 years ago, that courage is grace under pressure. If I were to identify one person on the current public scene who most exemplifies that characteristic, it would be Wendell Potter. Last year, he walked away from a very comfortable position with one of the nation's largest and most profitable insurance companies so that he could talk freely about the nation's health-care system and the changes he believed that were necessary to improve care and make it available to more people.

I'm not the only person that has reached that conclusion. If you listened to the president's speech last week, you heard him quote a former insurance executive, and that was Wendell. He spent 15 years as a senior executive with the CIGNA Corporation, rising to become the head of corporate communications and the company's chief spokesperson.

Today he is going to tell us how the system works from the other side, and I think he will be very enlightening. He's a native of Kingsport, Tennessee, and he currently serves as a senior fellow for health care at the Center for Media and Democracy. We're very pleased that he's with us today.

I want to start out by providing a little history about this issue, and try to provide some context in which to think about undue influence and the role of lobbyists. This is not a new issue.

During George Washington's presidency, the citizens of Georgia rose up in outrage over the penny-an-acre sale of tens of millions of acres along the Yazoo River in what is now Mississippi. Allegations of widespread bribery to pass the legislation enabling that sale caused Georgians to rise up and seek redress in the old-fashioned way: They defeated all supporters of the legislation in the next election, forcing the repeal of the legislation in the next session of the state assembly, and then proceeded to burn all deeds, contracts and other records of the sale in front of the state capital the following year.

In the decade following the Civil War, revelations of how New York mogul Jay Gould had manipulated the world gold market through his connections in the Grant administration were followed only a few years later by equally sensational revelations involving the fraud and the construction of the transcontinental railroad.

A member of the House Committee on Railroads – surprise, surprise – actually took control of the Union Pacific Railroad, where he established a second company to perform construction at highly inflated prices. There was little objection from his colleagues overseeing federal payments to the transcontinental railroad program since they were permitted to buy highly-valued shares of the construction company at deeply discounted prices.

The later decades of the 19th century were infamous for the dominance of government at the hands of the robber barons. Sen. Penrose of Pennsylvania was very open about the arrangement that had evolved. Speaking to a business group in 1896, he said, “I believe in the division of labor. You send us to Congress, we pass laws under which you make money...and out of your profits, you further contribute to our campaign funds to send us back to pass more laws to enable you to make more money.”

But the abuses of the Gilded Age, like those revealed in earlier scandals, had one thing in common: They rarely involved individuals that would meet the current definition of lobbyists. Tycoons of that period saw little use for outside intermediaries; they preferred to deal directly with the powers in Washington.

Louis Filler, in his “History of the Muckrakers,” describes the Senate during that period: “It was openly, flagrantly, admittedly, the most reactionary body in the government. Elected as the senators were, by the state legislatures, rather than by popular vote, they were direct representatives of special interests.”

La Follette, a Freeman and a Progressive, was in the Senate, but there was only one La Follette. For the most part, the Senate was made up of men like Tom Platt, the boss of New York; Boies Penrose, the boss of Pennsylvania; New York’s Chauncey Depew, the railroad senator; Joe Bailey of Texas, the stipendiary of Standard Oil.

There was barely a handful of senators who did not represent one corporation or another. Nelson Aldrich of Rhode Island, the boss of the Republican Party as well as the Senate, virtuously represented them all.

Those arrangements did not disappear with the Progressive Era, as many people seemed to think. It should be remembered that as recently as 1968, Everett Dirksen, the Senate minority leader, refused, in the face of allegations by Drew Pearson and Jack Anderson, to explain how much he continued to be paid by his old law firm, a firm that had a remarkable list of American corporations as clients, all of them finding it beneficial to go to Peoria, Illinois, to find legal advice.

In the mid-1970s, a congressman from New York explained to my old boss Dave Obey why it would be wrong to limit outside income for members of Congress. He claimed no additional demands were made on his time: “You see, as I gain seniority, more and more businesses turn to my old law firm for counsel. My partners are happy to share a portion of that business with me, even though I don’t do any work.”

When I first began working on Capitol Hill in 1973, there were no limitations on the size of campaign contributions, or reporting of campaign contributions, or requirements that they be made by check. There were no requirements that campaigns had to maintain a single bank account, so checks or cash could be deposited virtually anywhere and spent for anything. There was no requirement to disclose how much or whether campaign contributions were spent.

Equally important, there was no limit on how much private businesses could pay a member of Congress or a staffer for services rendered, and there was no requirement that such arrangements be reported.

Those changes were all made in the wake of Watergate and Wilbur Mills and Wayne Hays scandals. But I think there's very little appreciation today as to how much those changes fundamentally altered the arrangement between business and government.

In my view, much of what's evolved in the Washington lobby industry in the last three decades is the result of the kinds of shortcuts to influence that were commonplace prior to the 1970s. But I think it's a mistake to equate lobbying with special interests' influence, which is so frequently happening these days. Lobbying is only one aspect, one slice of special interests' influence, and it may be the most transparent, the most regulated, of all of the tools at the hands of special interests.

I want to give you an example of how I think business interests and government policy currently intersect in this city. This is a completely fictitious example, and yet I think many of you who have followed various confrontations in this city will find it familiar.

Let's say you're the CEO of a regional bakery, and you suddenly learn of a new study indicating that an additive in bread causes some dread disease – let's just say childhood diabetes. This is a big deal. This affects, possibly, your profits, your ability to compete against other bakeries. It affects millions of dollars in investments made by your shareholders; it could affect the livelihood of your employees and the economic well-being of the community. So you have a significant responsibility to get involved, to get good information and make good decisions.

You need the answers to a series of questions: How good is the science behind this study? What government agencies are going to be involved in responding to this alleged health threat? When will those proceedings be scheduled? Will legislation be required? What questions are regulators in congressional committees likely to pose to the bakery industry? What alternatives are there to the additive in question? How expensive are they, and do they pose possible risk? How best can the company communicate the impact that various regulatory options would have on its business to appropriate officials in the government?

You'll need a variety of experts to answer these questions but very prominent among those will be people who have expertise in government – something that bakery executives probably don't ordinarily have. At this point, much of the interaction between government and business may be not only appropriate and ethical but important and necessary in terms of helping government reach good decisions.

A skilled lobbyist who knows the city and knows the ethics by which business should proceed is a valuable resource in those discussions. Both sides need this problem to be resolved – both government and industry. Neither wants bread prices to rise or people to lose their jobs or businesses to fail. Both want a safe product that the public will have confidence in, and for that reason, most of these kinds of issues are resolved in a sensible way and without significant confrontation.

But what if a solution can't be reached? What if industry takes a hard nose and, perhaps, stubborn and stupid stand? These are the resources that are likely to come into play, and I think many of you will find these familiar: Scientific consultants will be hired to examine and dispute research used to justify the regulation – oh and, here is Bob Kaiser, very good.

These experts will write on the issue, scientific journals will be used; they will testify before congressional committees. Law firms will be hired to closely monitor the regulatory agency's compliance with Administrative Procedures Act and to find objections to the process wherever possible; opinion research will be commissioned to determine how best to put forward the business perspective on the issue.

Corporate public affairs officials will begin wide-ranging efforts to place stories pointing out the flaws in the scientific evidence, and attempt to develop public purpose arguments about how regulation would be negative for consumers and for the overall economy. They might say, everyone knows the risks involved in this additive but people should have the right to choose, not government regulatory agencies.

Paid advertising will be purchased, making the points that polling and public affairs officials indicate will be most effective; plant managers and union shop stewards will be summoned to Washington to explain to members of Congress the dire consequences of contemplated regulatory action; communications will be sent by the CEO to all senior employees, community leaders and allied businesses urging generous contributions to supporters.

Contributions will be made to nonprofit organizations – I need to be careful about this – that specialize in advocating against regulatory actions – and there're some very well developed, famous examples of that in this town today. Organizations engaging in grassroots organization and advertising will be engaged to develop a semblance of public opposition to regulation. Phone calls, e-mails, regular mail – all will be used.

Now, lobbyists may be involved in advising on this major strategy but they rarely make the decision to go forward with it. And in many instances, they don't even have very much control in the coordination or structuring of it. They are simply one tool in the toolbox.

And the point I would like to leave you with before I turn it over to Bob is that any effort to try to regulate the excess influence of outside special interests that focuses only on lobbying is going to lose a major part of what's going on here and is doomed to be ineffective.

We have focused on lobbyists for the last 40 years. Much of what can be done, without violating the constitutional rights of free speech and the ability to petition Congress, has been

done. But there are vast resources available to outside interests that go far beyond simple lobbying. And those, I think, have to be part of any solution that further limits the role of outside interests.

Bob, I've already introduced you, so if you will proceed?

BOB KAISER: Thank you very much. I beg your pardon. A domestic crisis – not serious – detained me.

I spent a few years – 3 years, really – working on this book about lobbying, which I hope you've mentioned, which was a great education for me – which is embarrassing, in a way, because I was born in this town, I grew up in a political family, I've been with the Washington Post for 46 years; I've used, edited, written in headlines, the term "Washington lobbyist" a million times; I've edited brilliant stories by a colleague of mine called Dan Morgan who's standing in the back of the room, who opened my eyes to a lot of this in the late 1980s – but I still didn't understand the culture or the world of lobbying as well as I realized, eventually, working on this book, I should have.

This is a good conference, and timely, and I'm glad to be able to spend the morning here. I wish we had more open conversation and more honest conversation about what lobbying is and what it tells us about ourselves, which is what I thought I'd talk about for a few minutes this morning.

The first thing I want to say is, the conventional image of a lobbyist is some schemer who gets his or her idea implanted in public policy in a way of great benefit to the client – which does occasionally happen. But I would submit that the most common, and indeed the prevalent form of lobbying today and for a long time, isn't getting something done. It's preventing something from getting done; it is playing defense.

We live in a society, in a system, of federal benefits. We have been dishonest with ourselves about this for time immemorial. I love hear people in Alaska talking about the terrible, intrusive federal government – without which there would be no Alaska.

There was a wonderful book a few years ago about California, showing how everything in California – every aspect of modern California – depending entirely on the federal government's largesse in some earlier or some current era. That's another conference, of course, to talk about all these benefits and how they pervade the society and the economy, but they do.

And as we see every 5 years when the Farm Bill comes up, in a very vivid way, nothing is quite as ferocious in the lobbying department as an interest group whose benefits in this system are threatened. They pull every plug, they pull every trick they can find; they invoke every advantage they have or can conjure to defend what they have, because, though it's a cliché, like all the best clichés it's true: We very, very rarely end a federal program or a federal benefit or a tax break that goes to a particular interest.

So I argue in this book and in this conference that we can only understand lobbying if we realize that its principal function is to build bulwarks around the status quo and to make it as difficult to change the status quo as is humanly possible.

I think it's possible to interpret or explain President Obama's agenda, among other ways, as an attempt to finally take on all the hard issues that have been systematically avoided in this town for more than 30 years and finally say, yes, we really do have to do something about the demographic reality of our society.

Interestingly – (chuckles) – a category of fact that is intriguing because some things surprise us, some things sneak up on us, but the demographic realities that make Social Security and Medicare such huge problems for this society are the opposite of a surprise. They are based entirely on birthrates and immigration rates that are well-known, documentable, mathematical facts.

Every politician, since the early '80s, when Sen. Dole and others did last time confront these problems – everyone has known that this day of reckoning we now face was coming. And I would argue that our avoidance of it right up to the present day is a manifestation of what I was talking about: that there just is no appetite ever for giving anything up or altering anything that people have in place.

Another category of what lobbying now is, which I think is important to confront and rarely discussed enough, is that lobbying is a career choice for public servants and as such, has become, I think, an enormously important life influence for the people that make decisions in this town.

I'm sitting next to a rare exception. He's a rare exception in a lot of different ways but Scott is someone who, by dint of his long service on the Appropriations Committee, received, I'm sure, dozens of enticing invitations to become a lobbyist and help people acquire earmarks when he left the committee a few years ago.

He's an exception because he's here and not in some fat-cat office down the street. But his favorite colleague on the other side of the aisle, a very smart and nice guy and a good citizen, is down there at Clark & Weinstock right now making a salary of four, five times what Lilly makes. I hope he takes him to dinner occasionally. (Laughter.)

And this is the normal pattern. And I think because of it, in part, we have a culture in Washington of which lobbying is a really important aspect now, that we don't like to confront. We don't like to think hard about what we've created here.

I thought I could make a provocatively rude remark about the Podesta family this morning, which is an example of this – and I don't deplore it, myself, and I'm happy to talk in the discussion about how to think about these things in moral categories – but the Podesta lobbying firm, a fabulously successful firm – if you look at the numbers that have just been released for the first half of this year, you see the totally unsurprising fact that a lobbying firm

with very good Democratic connections and credentials in a new Democratic administration has seen its bottom line get very fat. This is the way things happen.

The firm that is at the center of my book as a kind of storytelling device is Gerry Cassidy's firm called Cassidy & Associates. Ironically, Cassidy, who thinks of himself as a liberal Democrat and came to town to work for George McGovern, and for many, many years ran a Democratic lobbying firm, converted it in the long era of Republican domination in Congress to a Republican lobbying firm. It was the top ranking firm by revenue forever until about 5 years ago, 4 years ago. I just looked up last week – the figures for the first half, it has slipped to seventh place. It has lost a lot of revenue because it's run by Gregg Hartley, a former aide to Roy Blunt; it is a Republican firm now and it's in bad shape because it's out.

This is the culture in our capital city. We have it. It has an enormous influence. Big-time lobbyists, who are often extremely smart, experienced people – they are people who care about public policy, they pay a lot of attention to what's going on around town, and they become – not surprisingly – very important advisors to the senior politicians elected and appointed in this town who run the show. Why? Because they've been around, often they've been themselves senior politicians or advisors in the past. They know how the game is played. They have connections and so on that make them useful and valuable citizens.

So lobbying isn't just the phenomenon that Scott described in a very interesting way – I'm sorry I missed the beginning of it, I'll catch up – but it is an absolutely integral part of the culture that surrounds us here. And I fervently agree with Scott that any attempt to change things and reform the system by focusing very narrowly on lobbyists and their day-to-day activities is not going to get to the real problem or the real issues.

A final, quick thought: Can this culture be changed? It's a big subject and I'm not going to try to do justice to it in two seconds here, but I argue that it can be. I really believe it can. And we see it happen.

We see, for example, a really meaningful gift ban now. Ask any restaurateur you know in Washington if the gift ban that prevents lobbyists from taking members of Congress or their staffs or officials in the administration to lunch or dinner has had an impact, you will hear an earful – it's had a huge impact.

The skyboxes at MCI Center and at the ballparks in town are struggling because the lobbyists can no longer justify the high cost of them because they can't take the people to the games they wanted to take. And that's because of a deliberate act of Congress to say, no, you can't live like that anymore.

Lots of things can change, and I leave you with my favorite provocative notion about one fun thing to do – which the Sunlight Foundation is now promoting a version of – which is, let's make every contact between lobbyists and officials transparent. In the computer age, it would be awfully easy to require every official who is visited by a lobbyist to report the visit that night on some Web site that all of us could then find and look at. And we could see who's talking to whom about what.

Another nasty idea would be to ask them to announce the visits from lobbyists that they have scheduled for the next day. But that sort of thing, where we make all this stuff highly visible, I think could have a huge impact to help clean up the culture that I referred to.

A final point, which you'll hear again today, I'm sure, many times: We do have to accept and recognize that lobbying is, and in my strong opinion, should be an inviolable first amendment right that we shouldn't mess with. People in a democracy will not accept the legitimacy of that arrangement if they're not allowed to petition the government for their side, for their benefit, for their version. This is a big and fundamental American right that we have to protect. Thank you very much. (Applause.)

WENDELL POTTER: Thank you very much for the opportunity to be here today and, Scott, thank you – I actually smiled when you mentioned Sen. La Follette of Wisconsin because I just two days ago was at his event called the Fightin' Bob Fest in Baraboo, Wisconsin, and it's a Chautauqua type of event that's held annually. I think this was the eighth annual Fightin' Bob Fest, and was named after Sen. La Follette.

And I was actually interviewed, also, while I was there in Madison by the editor of the Progressive Magazine which was founded by Sen. La Follette back in 1909, so it's celebrating its 100th anniversary this year. And Fightin' Bob Fest is drawing larger crowds every year, and I was among some very prestigious speakers including senators Tom Harkin and Bernie Sanders.

And thanks, Bob, for mentioning – I smiled, also, when you mentioned the Podesta firm. I was on many conference calls before I left CIGNA with Heather Podesta, and I think hiring Heather Podesta was probably one of the smartest things my former boss ever did.

It's really easy to think of efforts to influence lawmakers as exclusive domain of K Street lobbyists. Much has been said and written about the millions of dollars the special interests are spending on lobbying activities and the hundreds of lobbyists who are at work, as we speak, trying to shape health-care reform legislation.

Very little, by comparison though, has been written about the millions of dollars that special interests are spending on PR activities to accomplish the same goal and that are vital to successful lobbying efforts.

One of the reasons I left my job at CIGNA, where I headed corporate communications and was part of the legal and public affairs department was because I did not want to be involved in yet another PR and lobbying campaign to kill or gut reform, or as Bob said, to continue, if possible, the status quo. And I finally came to question the ethics of what I had done and been a part of for nearly two decades to influence decision-making and bill writing on Capitol Hill.

When I testified before the Senate Commerce Committee in late June, I told the senators how the health insurance industry has conducted duplicitous and well-financed PR and lobbying campaigns every time Congress has tried to reform our health-care system, and how its current, behind-the-scenes efforts may well shape reform in a way that benefits Wall Street far more than

average Americans. I noted that, just as it did 15 years ago when the insurance industry led the effort to kill the Clinton reform plan, it is using shills and front groups to spread lies and disinformation to scare Americans away from the very reform that would benefit them most.

The industry, despite its public assurances to be good faith partners with the president and with Congress has been working for years, laying the groundwork, for devious and often sinister campaigns to manipulate public opinion. And I was part of those.

The industry goes to great lengths to keep its involvement in these campaigns hidden from public view. I know from having served on numerous trade group committees and industry-funded front groups, however, that industry leaders are always full partners in developing strategies to derail any reform that might interfere with insurers' ability to increase profits.

My involvement in these groups goes back to the early 1990s when insurers joined with other special interests to finance the activities of the Healthcare Leadership Council – which is still in business here in town – which led a coordinated effort to scare Americans and members of Congress away from the Clinton plan.

A few years after that victory, the insurers formed a front group called the Health Benefits Coalition to kill efforts to pass a patients' bill of rights. While it was billed as a broad based business coalition that was led by the National Federation of Independent Business and involved the U.S. Chamber of Commerce and other business interests, the Health Benefits Coalition, in reality, got the lion's share of its funding and guidance from the big insurance companies and their trade associations.

I was at many, many meetings of the Health Benefits Coalition. Like most front groups, the Health Benefits Coalition was set up and run out of one of Washington's biggest PR firms. That PR firm provided all the staff work for the coalition while an executive with the NFIB, which has long been a close ally of the insurance industry, served as a kind of front man.

One of the key strategies of the coalition, as it was gearing up for battle in late 1998, was to stir up support among conservative talk radio and other media. Among the tactics that the PR firm implemented for the coalition was to form alliances with important conservative groups such as the Christian Coalition and the Family Research Council to get them to send letters to Congress or to appear Health Benefit Coalition press conferences.

The coalition also launched an advertising campaign in conservative media outlets. The message was that President Clinton owed a debt to the liberal base of the Democratic Party and would try to pay back that debt by advancing the type of big-government agenda that he failed to get in 1994 – and those words are actually from one of the strategy documents. The tactics worked. Industry allies in Congress made sure that the Patients' Bill of Rights would not become law.

The insurance industry has funded several other front groups since then, whenever the industry has been under attack. It formed the Coalition for Affordable Quality Healthcare to try

to improve the image of managed care in response to a constant stream of negative stories that appeared in the media in the late 1990s and the first years of this decade.

It funded another group with a different name, about the same time when lawyers were filing class-action lawsuits on behalf of doctors and patients. Like the Health Benefits Coalition, this one, which was called America's Health Insurers was created by and run out of a powerful, Washington-based PR firm.

The insurance industry called on that same PR firm, by the way, in 2007, to help blunt the impact of Michael Moore's movie, "Sicko". The PR firm created and staffed a front group called Health Care America, specifically to discredit Moore and to demonize the health-care systems featured in the movie. The media contact for Health Care America was a vice president at the firm, who had served previously in PR roles at the Blue Cross/Blue Shield Association and in the Bush administration.

The PR firm also activated conservative allies and enlisted the support of conservative talk show hosts, writers and editorial page editors to warn against a government takeover of the U.S. health-care system. That's a term you've probably some lately and it's a term that the industry uses often to scare people away from any additional involvement of the government in the health-care system.

Health Care America also placed ads in newspapers. And one such ad which appeared in Capitol Hill newspapers carried this message: In America, you wait in line to see a movie. In government-run health-care systems, you wait to see a doctor.

The PR firm's work on behalf of the industry included feeding talking points to conservatives in the media and in Congress. And placing columns and op-eds written for the industry's friends in conservative think tanks and groups like the American Enterprise Institute, Heritage, CATO, The Manhattan Institute and the Galen Institute, just to name a few.

So with this history, you can rest assured that the insurance industry's up to the same tricks, using the same devious PR tactics it's used for many years to kill reform this year or – even better this time around – to shape it so that it will benefit insurance companies and their Wall Street investors more than average Americans.

The creation and funding of front groups and the use of shills on Capitol Hill and in the media are not the only tactics, of course, that PR people use to support and enhance lobbying efforts.

Other activities include, of course, the implementation of grassroots and grasstops campaigns, many of which I was involved with – and that includes engaging your own employees, if you are a big insurance company, which is often done and it's been done recently as we saw in the media.

But a much more subtle tactic is to provide supposedly accurate and objective information to educate members of Congress and their staffs. BusinessWeek recently described

how health insurers – United Health Group in particular – have been hard at work behind-the-scenes providing a treasure trove of data to key senators.

If lawmakers believe that the information and data that insurers are being fed by these companies, that it's comprehensive and objective data, they're really mistaken. Corporate representatives, especially the PR people who work with the media and who write talking points, are masters at the selective use of data and disclosing only the information their employers want to be disclosed.

So as to wrap, I'll just ask this question: What does this all mean for our country and for our democracy? During my 20 years in corporate communications and public affairs, I participated in the steady growth and influence of largely invisible persuasion.

And at a time when news rooms are shrinking, and investigative journalism seems to be vanishing, the number of PR long ago surpassed the number of working journalists in this country, and that ratio of PR people to reporters will continue to grow as laid-off reporters join PR firms and corporate PR offices.

The clear winners, in my view, as a shift occurs are the big, rich corporations and other special interests. And the losers, I'm afraid, are average Americans, most of whom are completely unaware how their thoughts and actions are being manipulated to achieve corporate goals on Capitol Hill. Thank you. (Applause.)

MR. LILLY: Thank you, Wendell. I want to just ask a couple questions and see if my fellow panelists have some questions for discussion amongst us, and then we'll open it to the audience for questions.

But it seems to me that we have a trend that can be observed over the last 20 or 30 years where – the more we regulate the lobby industry, the more interest groups try to reach beyond Washington and the decision-makers and focus their efforts on the public and manipulation of public opinion.

Do you think that that's because of the regulation of the lobby industry? Is that a good thing – that we're actually putting the decision-making back in the hands of the people? Or are they getting so much misinformation that we actually have as big a corruption of the process as we had before?

MR. KAISER: I'm thinking about the cause and effect in your statement. I'm not sure that there is one. I'm not sure that there isn't – (chuckles) – also but, in fact, any member of Congress would tell you today and would have told you 30 years ago that the most influential thing that can happen to him or to her is persuasive evidence that the folks at home actually think “x” about this issue.

In other words, grassroots lobbying or grassroots opinion, manifested in some persuasive way has always been a very powerful form of lobbying. And I'm wondering – I've not thought about this question that you've raised – but I'm wondering just sitting here, whether what we're

seeing is part of the general elaboration of this whole system of influence-peddling that Wendell has described an aspect of very well for us this morning – that everything has become more professionalized, better financed, bigger. This is true in so many different spheres of American life. I'm tempted by the hypothesis that I've constructed right before your eyes that that's what's happened here. But I'm not sure. And I'd like to hear from the expert who participated!

MR. POTTER: I think we're seeing more sophistication and the corporate interests/special interests have learned from efforts in the past. It's not new, but it is, I think, just continuing and getting more sophisticated and more effective, in my view.

At the beginning of this health-care reform debate, I was pretty optimistic and felt that there might be an opportunity for health-care reform to pass that would really be very comprehensive.

I'm not throwing in a towel or saying it's not going to happen, but I thought that we might see something like the coordinated effort that led to Barack Obama being elected president in that people who were really wanting to have reform might get together and there could be a movement that might have some critical mass that could compete with the special interests and their efforts.

That never really materialized, I don't think. I think people felt that they had done their duty by voting the way they did and were pleased that members of Congress were more Democratic and maybe the stars were aligning and that was kind of all that they needed to do. But it's not because the special interests had – again, as I said – had been anticipating this for a long time and have been planning not only their lobbying strategy but their supportive PR and advertising strategies.

MR. KAISER: Do you think controls on lobbying have had any impact on this?

MR. POTTER: I think they have. I think that you're probably seeing more money being spent through PR firms than ever before. There's no doubt about that.

MR. KAISER: It's a very important – (audio break) – be known to most people in this room that the money spent on all the activities that Wendell described does not have to be reported as lobbying expenditures.

So when you read these giant figures – \$4 billion this year will be spent on lobbying – that's a tiny fraction, as Mr. Thurber can explain in detail, of the total because so much of what you and I would think of as lobbying doesn't count under the law.

MR. POTTER: I might not, too – I mentioned PR firms. America's Health Insurance Plans has long had a relationship with APCO Worldwide. But you will not see America's Health Insurance Plans listed as a client on APCO's site. And I've never noticed that AHIP has ever disclosed that APCO works for it. So there's no transparency there. There doesn't have to be.

MR. LILLY: I know Jim's going to talk about this subject, but I would very much like to get the views of my panelists on this. The Washington Post reported last week, as did some other outlets, that the new lobby registration form showed that the amount being spent on lobbying is actually declining and also the number of people that are registering as lobbyists are declining.

There are several possible explanations for that. The Post attributed it to the declining economy. They also pointed out that money seemed to be being diverted from lobbying to other activities such as public relationships.

And I think there's another explanation, which is the kinds of things described in your book, Bob, with respect to earmarking are simply not nearly as profitable today because there have been some meaningful reforms and reductions in the amount of money that is being earmarked. I'd like to get your reaction to why do we have fewer lobbyists today and where is that headed?

MR. KAISER: You know, we have this compulsion in our society – what was Sec. Rumsfeld's term for it – he wanted the, not indices, but some metrics, thank you, that he wanted the metrics that showed how we were succeeding in Iraq.

We all want metrics for everything and any cursory examination of this number of lobbyists statistic tells you that this one where a metric really isn't applicable. Who has to register as a lobbyist is incredibly vague. Tom Daschle never registered as a lobbyist; we all learned last winter that he seemed to be one. There are just countless examples of this.

One thing I learned poking around in this is that it was very hard to ever to get deregistered as a lobbyist once you'd signed up. So this is just a very dubious number, so we shouldn't overinvest in the number, A; and B, as just discussed – what constitutes lobbying is very different than what has to be reported as lobbying expenditure under the law that we have.

So I am frankly dubious and was little embarrassed that this idea didn't ever appear in our story about this. I am dubious that, in fact, the phenomena reported has actually occurred. Perhaps it has, but perhaps it hasn't. And sadly, the metrics available to us, in reality, can't tell us whether it has or it hasn't.

MR. POTTER: Actually I think, probably all the lobbyists have been hired by the health insurance industry this time around but I can understand why there might be, as well, fewer lobbyists. But it's because, as we've talked before, a lot of money has been diverted to other ways, but lobbying can certainly take place, as Bob noted, by people who are not registered lobbyists.

My former CEO came to town very often and met with key senators, including – when she was running for president and was a member of the Senate – Hillary Clinton because one of our lobbyists was close enough to the office to be able to open that door for him.

And the special interests do things like – at least America’s health insurance plans, for example, which I know about, has often had fly-ins of senior citizens to come into town whenever Congress was considering possibly cutting some funding for the Medicare Advantage Program. And they’ll pay for these folks to fly into Washington and fan out across Capitol Hill and raise hell with the members of Congress for considering taking away their health benefits.

And I was a part of bringing medical directors to town – people with M.D.s after their name, you know, that’s really important; you want that. And I always would try to get an M.D. quoted in a news article if I could, too, because people think of doctors as, you know, well, they think more highly of doctors than CEOs and PR people. They are very effective lobbyists, but they’re not registered lobbyists. So you see a lot of that going on.

MR. LILLY: Okay, I want to open it up to questions from the audience and we have a microphone over here. Christine (sp) will bring you the microphone; please wait until you have the microphone. And right up here, we have a question.

Q: Don Zauderer, I’m a professor emeritus from American University; a colleague of Jim. I’m just wondering, if there is some shift in emphasis to the use of PR as a means to manipulate public opinion, then ultimately public policy, I’ve often wondered if there would be any benefit to educating the American public in some systematic way or even how government is taught in high schools to, in a sense, train people to be able to think critically and to recognize when they’re being manipulated, and when you’re facing a good, reasonable, logical civil discourse.

And, you know, the interesting thing is the only thing I know about that is attempting to address that is Jon Stewart – (chuckles) – in some strange, popular way. You know, he sort of helps people become aware of this kind of ridiculous manipulation. But that’s an inadequate response.

So the question is, is there anything we can do to prepare the American public to receive this information and to analyze, make sense of it, in order to position them to make better judgments?

MR. KAISER: Yeah, we’ve got to be eating whole grain bread and stop smoking! “No,” is the answer to that question. I think one of the things that makes this system, that Wendell gave us a good glimpse of, so effective is the lack of participation by Americans in the public policy process in general.

We have an indifferent culture. We measure political participation, often, by the number of people that turn out to vote every 2 or 4 years, but that is a very crude and inadequate measure, in my view. If we could find an index of intellectual involvement, engagement, that would be much more interesting. But of course, it’s not possible.

Civics is no longer taught in American high schools. Kids leave high school today not knowing the difference between the House and Senate or what the function of the Supreme Court is. This is absolutely commonplace. It’s not every school district but it is the majority.

Who was that good congressman from Colorado, from Boulder, who's been working – (cross talk) – Skaggs, Dave Skaggs has been working on this for several years. But it's a huge problem, which is why Jon Stewart is so interesting and so important because he speaks right over this gulf of ignorance to people in a language that they really do understand.

But we have – in this same period of the last 30 or 40 years in which money and influence-peddling have become so important in this town – we have abdicated in this realm. And I don't think people like us in this room pay attention enough to what's happened or absorb it, partly because we have created a system in America for the education of an elite.

My daughters for example, who are much better-educated than I ever was, and are really – (chuckles) – terrifically good citizens who know everything, but they're a tiny sliver, a tiny sliver, in the mass of American society as these polls that we occasionally see and then shrug our shoulders at, who don't know what the speaker of the House does; don't know how the world works. It's a very serious national problem, in my opinion.

MR. POTTER: I agree. I think it's something that would be terrific to try to pursue, and one of the things I'd like to do next as what I do next; to maybe help in some way to educate the public about how this all works, and maybe journalists, as well. When I was in journalism school, I don't recall learning much about how people like I became – (chuckles) – influence public opinion and were able to influence the way journalists do their work.

An example of what we've been talking about – I spoke at a town hall in Patterson, New Jersey, a couple of weeks ago, and it was a really raucous event, and I'm really glad I got a chance to see one of those in action because it was amazing.

There was a woman in the audience who came up to me afterwards and she was just outraged. I was talking about some of the things I talked about this morning, about how the special interests manipulate public opinion, and she said, I wasn't paid by anybody to be here. And I didn't say this to her, but I thought, you know, they didn't have to; that's not how it works; you didn't get any money but the PR firms that ultimately led to the way you think, and motivated you to get here, that's where the money went.

MR. LILLY: Yeah, I'd just like to add to that. I think if you look at the Washington Post/ABC News poll that's in this morning's paper, you see a remarkable example of what we're talking about.

I think one of the great triumphs of the insurance industry public relations offensive is that they have convinced senior citizens overwhelmingly, as a huge part of the decline in support for health care has been among senior citizens largely focused around the presence of a public option – the one group of people who are most directly benefited by public option and who would fight almost anyone if it was threatened to be taken away. And yet, somehow the idea of a public option has been conjured up in their mind as a great threat to the society. I'd say, Wendell, the people you hired are very talented people.

MR. POTTER: Some of the people I saw at the town hall, by the way, were clearly Medicare beneficiaries who were holding signs – “hands off my health care.” The PR people are very effective.

MR. KAISER: Somebody made the point recently that the president who screwed up the selling of health care was not Barack Obama; it was Lyndon Johnson by giving it only to the people that would have made the loudest noise if they didn't have it. It's an interesting thing to think about.

MR. LILLY: Right up here, in the front.

Q: Hi. I'm glad that PR has come up so much, because I was afraid I would be changing the subject. If PR is playing such an important role in creating the debate about public opinion, and since public opinion is so important to our representatives, I think that maybe PR is the – perhaps more regulation of the media is what's necessary, and there may be a cause for reregulation, to coin a phrase, to reinstitute legislation like the Fairness Doctrine or something like that?

Mr. Lilly mentioned the concept of a good debate and said that, that requires a shared set of facts; I think it also requires some proportionality in the debate. If one interest is able to put out 10 times as much propaganda as another interest – say, to use an obvious example, the oil lobby can make more commercials than the environmental lobby – then there's really no debate there. I mean, the population is just bombarded. I wonder if you could talk about that a little bit.

MR. KAISER: When you've come up with a way to regulate the media that doesn't violate the First Amendment, let us all know. It cannot be done. It's just not an American option. And you know, to me, this kind of thinking is a manifestation of a problem that we have, which is, you know, something's wrong, let's find a way to fix it, but without doing the hard work.

I – the previous question intrigues me, because it raises the possibility in my mind that the enthusiasm that we all saw for Obama in the campaign last year may ultimately lead to a reinforcement of the fatalism and cynicism that's been such a major part of American public opinion for so long when it turns out that one new president alone can't fix everything up.

Of course one new president alone can't fix everything up, because the founders gave us a system in which the president is not a dictator. And if the people that don't like the general way that things are going can't get organized and elect people that make things different than they've been, then things aren't going to change.

And I really believe Americans are woefully romantic about who we are and how things happen here. I mean, this case at the Supreme Court, which I wrote about last week, which looks like it may give corporations the authority to contribute, without any limit, to political activity in America – this is going to transform our society profoundly if it happens, and almost, nobody's paying attention to it. We just – we don't face the ugly facts. We like to run away from them

and it's an extreme frustration for an old reporter who's been trying to face facts for 50 years to see this happening, but it happens all the time.

MR. POTTER: I agree with you that regulating the media is not achievable and not a goal, either. And I'm not even sure how one would go about trying to regulate the role that PR plays in all this, but I think that it would be worth –

MR. KAISER: Shoot the PR men? (Laughter.)

MR. POTTER: It would be worth considering. Your last point, Bob, about the – and your reference to the Millennial generation – I'm concerned, too, that people who were so involved in the Obama campaign will become increasingly disillusioned and cynical, especially if what's passed as health reform legislation is clearly shaped by the insurance industry and other special interests. And I have a great fear that, that will happen. You can put so much lipstick on a pig, I think, but I –

MR. LILLY: That's a good line! Where did you – (laughter).

MR. POTTER: My kids were very involved in the campaign, but also, a topic like health care, it's just difficult to get your head around. And it's just not – it's not a person; it's not sexy at all. So you know, when you get into issues, it's difficult unless it's something that they're particularly interested in, and if you're young – I guess I would agree with health insurance in this regard – they often think they're bulletproof and not too needy of health insurance.

MR. LILLY: We've run out of time. I want to thank the panel and I'm going to turn it over to Jim for the next panel. Thank you. (Applause.)

(END)