

Wonkbook: Dems release immigration proposal; Lindsey Graham upset; Goldman facing jail time

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Democrats **release immigration proposal**: "Their new **proposal** provides for a path to citizenship for some of the estimated 11 million people in the U.S. illegally, and it creates a guest-worker program," reports Laura Meckler. "But the measure also calls for more federal enforcement agents, better equipment and upgraded technology aimed at stopping people from illegally crossing the border." Full **proposal** here (pdf).

But is it worth anything without **Lindsey Graham**? In an interview with me yesterday, **Lindsey Graham**, the only Senate Republican committed to **immigration** reform, ruled out action this year. "I'm playing pretty delicate politics here," he said. "I'm trying to let the business community and the Hispanic community know that I'm in. I ain't going away. But while we're trying to do this very hard thing that's energy and climate, I can't go down that road. I can't be pressured down that road. If you go, I can't go with you. Some supporters of **immigration** reform think I've abandoned them. But they're not listening. This is just too far for me and for the issue this year."

FinReg amendments taking shape: "Sens. Ted Kaufman (D-Del.) and Sherrod Brown (D-Ohio) are pushing legislation to break up big banks," reports Brady Dennis. "Sens. Jeff Merkley (D-Ore.) and Carl M. Levin (D-Mich.) introduced an amendment that, among other things, would ban banks from making speculative investments using their own capital -- an activity known as proprietary trading -- and from owning a hedge fund or private-equity fund. Sens. Maria Cantwell (D-Wash.) and John McCain (R-Ariz.) are pushing to re-introduce the Glass-Steagall provision, repealed in 1999, that separates commercial from investment banking."

Goldman facing criminal charges? "The Securities and Exchange Commission has referred its investigation of **Goldman** Sachs to the Justice Department for possible criminal prosecution, less than two weeks after filing a civil securities fraud case against the firm, according to a source familiar with the matter," reports Zachary Goldfarb. "It is rare for the government to indict a company, and even the threat of criminal prosecution can doom a business. A criminal investigation destroyed the Wall Street firm Drexel Burnham Lambert in the 1980s even though the firm settled with authorities. "

Methodologically-questionable internet-quiz interlude: How open-minded is your media diet?

FinReg.

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Blanche Lincoln's proposal to spin out derivatives desks becoming a flashpoint: "Rampant pandering populism" was [Judd Gregg's] favorite catchphrase; that and Argentina under Juan Peron in the 1950s," reports David Rogers. "The Treasury -- albeit considerably calmer -- shares some of his concerns. An unusually aggressive memo from the Federal Reserve staff recommends outright that the provision be deleted. But at the insistence of Senate Agriculture Committee Chairwoman Blanche Lincoln, it remains."

Both parties hate Wall Street; love Wall Street money: While Democrats push Wall Street regulations on the Senate floor, Banking Committee Chairman Chris Dodd (D-Conn.) and Sen. Kirsten Gillibrand (D-N.Y.) will head to Manhattan Monday for a fundraiser with deep-pocketed donors who have ties to the financial industry," reports Manu Raju. "This type of event is not unusual -- both parties raise tons of money from Wall Street at exclusive Manhattan fundraising events. But the timing on this particular party may raise eyebrows because Democrats have been bashing Wall Street throughout the financial reform debate."

Sen. Sherrod Brown makes the case for breaking up big banks: "Fifteen years ago, the assets of the six largest U.S. banks made up 17 percent of our gross domestic product," he writes. "Today, the top six banks make up 63 percent of GDP. No wonder our economy's fate is tied to their stability. As former FDIC chairman William M. Isaac has said, these banks are "too big to manage, and too big to regulate." With mega-banks, a single insolvency can send our economy into a tailspin. We shouldn't wait for trouble; we should avoid it."

A proposal to fix the ratings agencies: "David Raboy's ingenious plan calls for the creation of an independent clearinghouse -- most likely within the Securities and Exchange Commission -- to receive rating applications from securities issuers and then farm out assignments in a random or unpredictable way," writes James Lardner. The funding, which could come from a financial-transaction fee, would need to cover the operations of the clearinghouse as well as the ratings process itself." "The performance of the rating agencies would periodically be compared on the basis of simple, transparent criteria, such as the number of times that investment-grade bonds defaulted or lost significant value. The most accurate rating agencies could be rewarded with additional assignments. Those with the poorest records could, in extreme cases, be suspended or removed from the pool."

Is the Dodd bill too kind to creditors? "The shareholders of a failed financial firm would be wiped out, but creditors -- the people who lent it the money that got it in trouble in the first place -- will be bailed out," writes Phillip Swagel. "And this has real consequences, because if market participants know they can be rescued for imprudent behavior, they will likely behave more imprudently."

Do we need Fed reform? "The problems start with the basics of the Fed's outmoded and undemocratic structure," writes Tim Fernholz. "Just consider the geographic spectrum of the Fed's regional branches: five banks east of the Appalachian Mountains -- including one in Richmond, Virginia, barely 100 miles from Washington -- and only one bank west of the Rockies. Each of those banks is run by a president and board of directors selected largely by the private banks they are meant to regulate. At its most absurd, this involved a Goldman Sachs banker being tapped to represent the public interest at the New York Federal Reserve."

Maybe we don't need new regulations after all? "Think of it this way," writes Jonah Goldberg. "We are just as vulnerable as ever to the threat of Coca-Cola releasing another New Coke. No laws have been passed to prevent it. No new oversight authority has been created to warn of its looming threat. And yet, the odds of Coca-Cola rolling out another debacle like New Coke are severely limited. Why? Because, to paraphrase Roy Scheider in Jaws II, as God is their witness the executives at Coca-Cola don't want to go through that Hell again."

No, that's crazy. "If there's a profession on the entire planet that has aggressively declined to learn any lessons from its periodic collapse over the past several millennia, it's high finance," writes Kevin Drum. "In This Time It's Different, it takes the authors three columns of text spread over four pages just to list the banking crises since 1800. They tally up 51 of them since 1980 alone. God knows I'm sympathetic to arguments about regulatory capture and government collusion in blowing up financial bubbles, but even Alan Greenspan has admitted that financial markets can't be trusted to self-regulate. Alan Effin Greenspan."

Video interlude: This dude does not like quack mysticism.

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Immigration.

World reacts to Arizona bill: "In Mexico City, Mayor Marcelo Ebrard announced he would try to join lawsuits seeking to overturn the law, with a statement from his office calling the measure 'a planned Apartheid against Mexicans,'" report Jonathan Cooper and Paul Davenport. "Ebrard did not explain what legal standing the Mexican capital would have before U.S. courts, but said the issue could be taken to international human rights forums. "Meanwhile, officials in El Salvador, which has about 2.8 million citizens living in the United States, urged Salvadorans to avoid traveling to Arizona, according to the Foreign Ministry. In Nicaragua, officials called on the Organization of American States and the United Nations 'to take the necessary measures to safeguard the rights of the Hispanic population.'" The governors of Texas and Colorado also came out against the bill.

Election years are not good years for immigration reform: "Here's the unfortunate irony," writes Mark McKinnon. "The Arizona situation is likely to compel the Obama administration to push immigration reform up on its agenda. But the worst possible time to discuss or pass meaningful, reasonable, responsible immigration reform is during an election year. The debate and outcome will be dominated by the extreme fringes. The administration would be better off having the Justice Department and courts deal with constitutional issues of the law for now and come back and craft comprehensive legislation after the elections."

Arizona targeting teachers with accents: "The Arizona Department of Education recently began telling school districts that teachers whose spoken English it deems to be heavily accented or ungrammatical must be removed from classes for students still learning English," reports Miriam Jordan.

Northern California wants to boycott Arizona: In San Francisco, Mayor Gavin Newsom issued an executive order that stops city officials from traveling to Arizona and is looking into a broader ban on city business with Arizona businesses," reports Mary Lu Carnavale. "City Attorney Dennis Herrera and Supervisor David Campos have been pushing for a boycott since Friday when Arizona enacted a tough immigration law that critics say will encourage racial profiling." "But as the San Francisco Chronicle points out, a boycott could be complicated. For starters, the city has contracted with an Arizona company to process payments to some 2,500 people in a jobs program that channels federal stimulus funds to companies that hire the unemployed."

Is enforcement working? "The main reason for the decline in unauthorized immigration is probably not the temporary phenomenon of the recession," writes Edward Schumacher-Matos. "If this were so, demand for work or residence visas would be down, and it is not. And Mexico, the source of nearly six out of every 10 undocumented immigrants, is suffering an even worse recession than the United States. No, a major -- if not the main -- reason for the drop is that enforcement is working, something that many pro-immigration activists hate to admit and that restrictionists refuse to recognize."

Enforcement doesn't need to come first. "Requiring successful enforcement of the current immigration laws before they can be changed is a non sequitur," writes Cato's Daniel Griswold. "It's like saying, in 1932, that we can't repeal the nationwide prohibition on alcohol consumption until we've drastically reduced the number of moonshine stills and bootleggers. But Prohibition itself created the conditions for the rise of those underground enterprises, and the repeal of Prohibition was necessary before the government could "get control" of its unintended consequences."

Giant animal interlude: Good lord, that's a huge rabbit.

Energy.

Bill Nelson using Gulf of Mexico oil spill to challenge WH's offshore-drilling proposal: "Obama gave no immediate sign of agreeing to a request in a letter from Sen. Bill Nelson (D-Fla.) to halt all oil exploration off the U.S. coasts," report Josh Gerstein and Jeanne Cummings. "Nelson also urged Obama to impose an immediate halt to any other test wells and exploratory activity in coastal waters until the federal investigation into the cause of the April 20 Deepwater Horizon explosion is complete. He said he was introducing legislation to temporarily prohibit the Interior Department from exercising its authority to expand drilling and suggested a congressional inquiry could be launched."

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Is energy innovation the transformative project of the early-21st century? "Energy innovation is the railroad legislation of today," writes David Brooks. "This country is studded with venture capitalists, scientists, corporate executives and environmental activists atremble over the great opportunities they see ahead. The energy revolution is a material project that arouses moral fervor -- exactly the sort of enterprise at which Americans excel."

Ever wondered why all windmills look the same? Brian Palmer is a man with answers.

Economy.

Obama trying -- failing? -- to retain his economic advisers: "President Barack Obama, trying to head off a staff exodus after the November elections, has been pressing members of his economic team to stay with his administration until the economy is on a stronger footing, reports Jonathan Weisman. "Despite Mr. Obama's efforts, some members of the team, such as White House Budget Director Peter Orszag and Council of Economic Advisers Chairwoman Christina Romer, are still eying the exits." Did you know Puerto Rico was having a banking crisis -- "At least three of Puerto Rico's banks -- Eurobank, R-G Premier Bank and Westernbank -- are operating under cease-and-desist orders from regulators, restricting their ability to make new loans," reports Eric Dash. "They had been given until March 31 to raise new capital or combine with healthier banks. Now that the deadline has come and gone, regulators have been working on a confidential plan to auction off the lenders, according to several people involved in the situation. It is known as Project Themis, after the Greek goddess of divine law and order." Sidenote: If I were structuring a bank rescue right now, I would not name it after anything Greek.

Jobless claims down: "The number of U.S. workers filing new claims for jobless benefits continued to fall last week, the latest sign that the labor market is thawing," report Sarah Lynch and Jeff Bater. Initial claims for unemployment benefits declined by 11,000 to 448,000 in the week ended April 24, the Labor Department said in its weekly report Thursday."

Recipe interlude: Farmer's cheese gnocchi.

Health-care reform.

Anthem rate hikes rejected: "WellPoint Inc. said it would revise its request for steep rate hikes in California's individual market, after a state regulator said it found flaws in the company's application," reports Anna Wilde Matthews. "The proposed premium increases by the company's Anthem Blue Cross unit would have affected more than 700,000 consumers, who would have seen their rates go up by as much as 39%. The hikes became a big political issue at the state and federal levels, leading to high-profile hearings in Washington, D.C., and helping to generate momentum for the recently passed health overhaul."

States ambivalent over setting up high-risk pools: Friday is the deadline for states to tell the Obama administration whether they want to run the high-risk insurance pool for uninsured people with pre-existing conditions, or whether they will leave the task to Kathleen Sebelius, the secretary of health and human services," reports Robert Pear. "Democratic officials in Montana, Pennsylvania, Washington and Wisconsin, among other states, said they intended to operate the program under contract with the federal government. They were joined by Gov. Arnold Schwarzenegger of California, a Republican, who gave a rousing endorsement of President Obama's health plan at a news conference." But Republican officials in Georgia, Indiana, Nebraska and Nevada turned down the opportunity to run the high-risk pool, as did at least one Democratic governor, Dave Freudenthal of Wyoming. Mr. Freudenthal said he worried that his state's federal allotment of \$8 million "may prove insufficient" to subsidize coverage for the next three and a half years. The temporary federal program runs from July to Jan. 1, 2014, when insurers will be required to accept all applicants."

Can we tackle payment reform now? "Last November, researchers from Children's Hospital Boston reported interim results from a community-based asthma program that used case managers, home health aides, and outreach to coordinate the proper steps for children with severe asthma," writes Darshak Sanghavi. "Within six months, emergency-room visits dropped by 60 percent. Hospitalizations fell by 80 percent and stayed down for a year. And yet, according to a legislative liaison from the hospital, 'in the current traditional health care system, these kinds of

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workers' --such as home-visiting nurses and case managers --are not providers that have been able to bill or get any payment for their services."

Eugene Robinson isn't impressed by the lazy nostalgia in the 'Chicken Care' fantasy: "[Sue Lowden's] words conjured the image of a kindly old man named Doc who made the rounds of frontier homesteads," writes Robinson, "presumably with his horse and buggy, and fixed everybody up, good as new -- 'Just pay me when you can, Sue.' But the truth is that in those days, doctors routinely watched people die from diseases that are easily cured today; simple infections and even childbirth carried grave risks. The care that Doc could give wasn't worth much more than a chicken."

Labor.

Why did the SEIU elect Mary Kay Henry as Andy Stern's successor? There is widespread concern within the union that Stern had gratuitously estranged allies (chiefly, other unions), and that SEIU's legendary organizing gains have grounded to a halt," reports Harold Meyerson. "The union, many believe, needs new strategic directions. Some of Henry's backers, including her fellow executive vice-presidents Tom Woodruff and Dave Regan, favor a return to traditional organizing. Others, including other fellow executive vice-presidents Gerald Hudson and Eliseo Medina, favor the union immersing itself more deeply in a range of social causes (Medina has been a leading champion of immigrants' rights for years)."

Obama administration trying to crack down on labor-law violations: "In a move that will affect most American corporations, the Labor Department plans to require companies to prepare and adopt compliance plans aimed at ensuring they do not violate wage, job safety and equal employment laws," reports Steve Greenhouse. "The effort, aimed in part at reducing the incidence of employers not paying overtime and improperly classifying workers as independent contractors, will require them to document many of their decisions and share that information with their workers and the government." "At a recent Georgetown University forum on the labor movement (in which I participated), Hudson argued that expecting legislation such as the Employee Free Choice Act to pass on the basis of an inside-the-Beltway campaign was misguided, and that the union needed to help create a larger social movement embracing a number of progressive causes before it would see its own priorities enacted. Henry, say several SEIU leaders, shares this perspective."

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