

MONEY for September 24, 2012 - Part 1

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MELISSA FRANCIS, FBN ANCHOR: I'm Melissa Francis. And here's what "Money" tonight.

How do you know when a federal jobs program is just a complete mess, when states won't even take the handout? We have got details on what they're saying, why they're saying no thanks to Uncle Sam's help even though they need to create new jobs.

Plus, the campaign fight over coal takes center stage with a big move to strip away a mountain of regulations but can it save the industry before the lights go out for good?

And subsidizing electric cars. The CEO predicts that it will cost you \$7.5 billion and have no impact whatsoever on gasoline demand or greenhouse emissions. Why in the world are you paying for it then? It will be a disagree with me to remember.

Even when they say it's not, it is always about "Money."

First let's take a look at the day's market headlines.

Europe's debt crisis rearing its head again. The leaders of Germany and France make conflicting comments over the future of Europe's banking system. The news is leading to a modest selloff in stocks. The Dow closed down 20 points.

Plus, oil prices sliding on flowing global growth fears, down one percent slumped at 91.93 a barrel. That is crude's lowest close since early August.

And shares of Apple falling, the company sold more than five million new iPhone 5 in the opening weekend despite Apple running out of initial supplies. The figure came in as below some estimates. And some analysts had predicted as many as 10 million iPhones would be sold over the first three days. No one is ever happy.

All right, you guys know, I don't have any audio at all? Do you know that? You do? OK.

Now to our top story tonight. What is the one message we hear over and over again from the White House. The one thing at the forefront of most American's minds?

(BEGIN VIDEO CLIP)

BARACK OBAMA, PRESIDENT OF THE UNITED STATES: Put forward specific plans that we know would create jobs. We have got to many good jobs we have to create. We need to create more jobs faster.

(END VIDEO CLIP)

FRANCIS: It seems to make sense. After all we have an unemployment rate of 8.1 percent or 15 million people who are out of work or just given up looking. But, there is federal program with incentives that states can give to companies that higher folks. And guess what? Many states won't even apply because they don't even have the funding to even administer these programs.

Joining me now is small business owner Clint Greenleaf and economist Peter Morici.

Gentlemen, thank you so much for joining me. We are having some audio problems so bear with me on this.

Peter, I want to start with you because, you know, this is one of the classic stories. States were invited to submit ideas for re-employment demonstration projects. The government plans to initially pick ten winners and then reward those states with some kind of subsidies for these programs. In a lot of cases the cases, you said, you know what? You know, this is a gimmick. We can't afford to even administer the programs. We are just going to pass on the money. I'm not sure I heard of states passing on money.

PETER MORICI, ECONOMICS PROFESSOR, UNIVERSITY OF MARYLAND: Well, states do pass on money all the time when the bureaucracy is too intense. And it is very similar what is going on, same with drilling for oil in the Gulf with these regulations and paperwork.

Remember the "cash for clunkers"? And the morass of paperwork that went with that? It is just too expensive to run one of these programs for the states to decide to

participate.

FRANCIS: Yes. I mean, Clint, does that make sense to you? It sounds a lot like when they offer incentives to small businesses to go ahead and hire people. And you kind of know it is a temporary onetime thing. So you think twice about taking them up on the offer because you know in the long run it will end up costing you money, right?

CLINT GREENLEAF, SMALL BUSINESS OWNER: Yes. These plans are horrible. Basically a bounce civilian to taking a pest in a forest fire and hoping you are going to somehow be able to stop the process here. It is not going to be able cover it. I mean, for me to get \$2,000 to hire someone, who one person for a job I not sure I need in the first place, it is not going to be able to cover the cost, God forbid the person doesn't work out, now I can't fire them. There is way too much bureaucracy and red tape for me.

FRANCIS: OK. We all just blanched here on the set for the analogy you used. I mean, it may be appropriate. It was kind of a lot for dinnertime television. But, --

GREENLEAF: Sorry about that.

FRANCIS: No, no. That is OK.

MORICI: How about shooting some lighter fluid on a forest fire? The whole program is absurd. The reason this gentleman isn't hiring people is because he is not selling as many books as he would like. He is not - you know, if demand for his product were better, if there was more economic activity that would make sense to hire people. You have to have sales before you have employment. That is what this administration doesn't get.

FRANCIS: Yes. Clint, I mean, Peter is not casting as Persians on your business there by any means. But, he is making the point that the thing that makes you hire workers is actual demand. And that when the government well-intentioned or not, I mean, obviously, the intentions here are good, but when they try to sort of, you know, Gerry Rig the system to create employment it doesn't work.

GREENLEAF: Right. And the problem is there is a lot of pent-up demand. I actually have some demand but I'm so frightened. We have the fiscal cliff coming. We have tax uncertainty. We have the election. We have Europe. We have this just collapse of logic in the QE3 to come out. There are so many bad things the government has done. I'm not really willing to take a risk and risk my capital right now even with demand out there.

FRANCIS: Peter, what could the government do you think to create jobs right now? I mean, it is very easy to stand on the sidelines and throw stones what is going on. But is there one solid concrete thing they could do?

MORICI: Yes. I think they could focus on the trade deficit with China because the money goes to China is money that leaves but doesn't come back to buy foreign products but doesn't buy American products. That is one problem.

Another is, if we develop more domestic energy even consuming the same amount, then that is much less for the Middle East. Again, that doesn't come back. Finally, I think, small businesses could use a lot of help from the banks. And that is banks were more able and ready to lend and recognizing that the, the banking crisis that we had in 2008 and nine wasn't from lack of regulation but it was failure of regulations we had.

FRANCIS: Yes.

MORICI: You know, Dodd-Frank really was more than we need. Sarbanes- Oxley was supposed to solve most of those problems.

FRANCIS: Clint, is there one thing the government could do to help you out right now?

GREENLEAF: Yes, just get the hell out of the way. That's all I'm asking. Just get out of the way.

FRANCIS: All right Clint, you are not one to mince words. I think I love you. I mean thank you for coming on.

MORICI: I like that.

FRANCIS: Yes I do too. All right, thanks, guys.

So, moving on now to global issues. It is more than 120 world leaders are in New York this week for the annual meeting of the U.N. general assembly. This is including leaders from countries that enjoy billions of dollars of aid from the U.S. And given the horrific events that we have seen unfold in the Middle East since 9/11 you might think the president's first priority is to meet with the leaders while they are here. But in fact, while President Obama has so far not scheduled a meeting with Israeli's prime minister, he has made time to chat up the ladies on "the View" today.

With me not to figure out what message he may be sending is Senator John Barrasso.

Thank you so much for joining us.

SEN. JOHN BARRASSO (R), WYOMING: Thanks for having me.

FRANCIS: There are three things, first of all, that you think that the president needed to do when he addresses the United Nations these things. What are those?

BARRASSO: Well, I wrote an article in "Politico" about that today.

FRANCIS: Yes.

BARRASSO: It specifically says the president has to acknowledge that there is still a war on terror after you see what happened in the past couple weeks when 9/11, with our embassy, with the loss of life of our ambassador. That is number one.

Number two the president needs to talk about the relationship between the United States and Israel. When he says that Israel, that the United States always has their back on all issues what does that specifically mean?

And I think, three, the president owes it to the people of this country to know what his foreign policy is. The president in 2008 laid out a foreign policy that he would hit reset button with Russia. I believe that has failed.

FRANCIS: Yes.

BARRASSO: He said he would have negotiations with Iran. That has clearly failed. Iran is closer to nuclear weapon, Melissa, than ever before. He has said that the Arab world would have a much better relationship because he is the president. That's not the case when you have these sorts of organized abuses going on.

FRANCIS: Right.

Let's start with the first one, saying that the war on terror is still ongoing, you know. Do you think that it is realistic that he would do that given that he sort of spiked the football with the death of Osama bin Laden saying that it was, you know, almost over? Do you think that he is really going to out there and acknowledge that is still going on even though it is obvious to the rest of us when we watch what is going on in the Middle East?

BARRASSO: I think the president owes it to the American people and the people of the world to acknowledge it is going on because we're saying that. You go to international convention and you said Osama bin Laden is dead but al-Qaeda we know is growing stronger. It has a significant presence in Libya and he ought to acknowledge that.

FRANCIS: Why do you think he is not meeting with Netanyahu?

BARRASSO: I think it is a mistake, you know. I think that there is rocky relationship now between the United States and Israel, probably the rockiest of the last 30 years. The president in his interview last night on "60 minutes" said he would ignore the noise. And that's how he referred to it. He referred to the death of our ambassador as a bump in the road.

You know, I think that the president is way off base on this. I sit on the Foreign Relations Committee. We had a top secret briefing what happened in Libya. I think they are either stonewalling. And to me, it seems like there is cover-up going on that they don't want the American people to know what really happened there.

FRANCIS: Why?

BARRASSO: Well, that makes you wonder, what really happened? Why are they not sharing this information with the American people? This was not something that was the result of a, of a poorly-made you tube video. This is something - this was on 9/11.

FRANCIS: Right.

BARRASSO: This was something preplanned, organized, might have been weeks or months in advance. People showed up with rocket-propelled grenades. That is not something you show up at a demonstration.

FRANCIS: No. It is almost ridiculous to tie two things together and not realized that. I mean, most of us knew, I think, immediately when we saw what day it was what was inspiring this attack. But setting that aside for a second, what do you think of him coming in town going on "the View", going on a day time talk show at a time when there are world leaders coming from obviously around the globe to come here and meet to try to make some sort of progress and he is in essence campaigning?

BARRASSO: Well, he has been doing that now for well over a year. The economy, we know, is in sham else about. We know that there are still over eight percent unemployment which has been the case now for 43 months. We now, we have a debt of over \$16 trillion. I understand the president actually didn't even know how much debt we had as a country.

So, this is a time when the American people know they are not better off now than they were four years ago. But it seems he wants to ignore that and talk about anything other than that his record as commander-in- chief and as the person who said he would put America back to work.

FRANCIS: Senator, thank you so much for coming on.

BARRASSO: Melissa, thanks for having me.

FRANCIS: So, the campaign battle over coal gets white hot. Republicans move to roll back a wave of regulations. But can the industry be saved before it is too late? We have that detail on, that coming up next.

Plus, a Paul Ryan exclusive. The GOP vice presidential candidate kicks off his bus tour to Ohio and only FOX Business' Rich Edson got a special sit-down. You could enjoy this coming up.

Do you ever have too much "Money".

(COMMERCIAL BEAK)

FRANCIS: So, as we've been telling you one of President Obama's biggest platforms is of course clean energy. In fact both campaigns made their energy plans a big part of the campaign. So what does the future of conventional coal look like?

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On one hand the Obama administration has vowed to end it. While on the other hand a handful of companies are pushing ahead with new plants. President Obama says we first clean coal. House Republicans say regulations he has enacted will both hurt the industry and economy. In fact, the house just passed a bill to significantly deregulate the coal industry. So, are the EPA regulations justified or not?

Joining me now is Daniel Weiss, senior fellow for center for American Progress Action Fund and Loren Steffy, business columnist with "the Houston Chronicle."

Gentlemen, thank you so much for joining me.

UNIDENTIFIED MALE: Thanks for having me.

FRANCIS: Let me start -- Daniel, let me start with you. Do you think there is war on clean coal right now? We heard a lot about that. Do you agree with that?

DANIEL WEISS, SENIOR FELLOW, CANTER FOR AMERICAN PROGRESS ACTION FUND: No, absolutely not. There is no war on coal. There are, however, cheaper, cleaner alternatives to burning coal regenerator electricity like natural gas and utilities that decide to use them. That's why natural gas use gone up 50 percent in the last four years because gas is really cheap. And if you add in the cost of all the health impacts of coal, natural gas is even more favorable.

FRANCIS: OK.

WEISS: So, that is why. There is no war on coal.

FRANCIS: Look. There is something is going on though, Loren, if half a dozen coal burning plants been in the planning are stepping up their plans as quickly as possible to begin construction before new rules from the EPA go into effect in April of 2013. There is something going on, right?

LOREN STEFFY, BUSINESS COLUMNIST, THE HOUSTON CHRONICLE: Well, there is absolutely something going on and we've seen this in Texas. We probably permitted more new coal plants here than any other state in the union. But it really has a lot more to do with hydraulic fracturing than anything the EPA is doing.

FRANCIS: Yes. I mean that is absolutely true. But that is one of the big, you know, impacts on coal right now is the fact that natural gas is all of sudden so plentiful and so cheap that is crowding out and, you know, making it harder for people it start coal plants.

Daniel, though, do you think, isn't it dangerous to become dependent on one energy source? I mean if we focus all of our energy on natural gas and ignore the fact that we're the Saudi Arabia of coal, it seems like that is a dangerous long-term plan as well?

WEISS: Yes, but that is nobody's plan. I mean, that might be a fiction that has perpetuated by the right-wing media. But in fact President Obama has an all of the

above strategy, which includes burning coal more cleanly for electricity using natural gas for electricity, using oil but more efficiently having cars go much further on gallon of gas, and also investing in cleaner alternatives. We doubled renewable electricity generation in past 3 1/2 years. And we need to keep doing that. That is all of the above strategy which in a long term create new jobs and manufacturing, new cleaner technology.

FRANCIS: Loren, do you believe this is a right-wing conspiracy and the president has an all of the above strategy?

STEFFY: I think what is going on with coal is basic economics. As you alluded to, natural gas prices are significantly lower than they were a couple years ago. A lot of these coal companies invested in plants. They have invested billions of dollars to build these new plants. And they did that because especially here in Texas, if you were generating electricity with coal you were basically guaranteed a profit because the margin was the difference between the price of coal and the price of natural gas. That margin has gone away. It completely gutted the economics of the business. And now these guys are looking for something to blame. And so, you know, regulation is a convenient scapegoat. But, the fact is they knew regulations were going to get tougher. They may not have known how or exactly when but they knew something was coming. So--.

FRANCIS: Do you think --

(CROSSTALK)

FRANCIS: Hang on. I just want to make sure that we're --

(CROSSTALK)

FRANCIS: I know. But do we think that the EPA regulations are on base and are fair or are they too restrictive, I would ask each of you that question.

Loren, what do you think and Daniel, you get a chance. Because obviously they are going up because we are seeing the industry reacts to them. Are they justify for clean air or do they go too far, what do you think?

STEFFY: I mean, certainly, the regulations that deal with things like mercury. I mean, these are very toxic chemicals. We know they're bad for us. So, it is kind hard to argue that the tightening, the restrictions on mercury is a bad thing. I mean, again the industry knew this was coming. Even the carbon emissions stuff, the global warming stuff. I mean, you know, these things have been in the works for years.

FRANCIS: OK.

STEFFY: And I find it hard to believe you would have even started building a coal plant five, ten years ago and couldn't read the writing on the wall.

FRANCIS: Yes. Daniel, you seem to agree on everything. But I let you get in on the last word, what do you think? Are the EPA standard is too strict?

WEISS: No, they're not. In fact - first, I agree with Loren. You know, the law that these regulations were done from was passed in 1990. They have had more than 20 years to get ready for it.

Secondly EPA scientists believe that the rules to control mercury, other toxic chemicals, soot and smog will save 60,000 lives every year and reduce hospitalizations by equal amount every single year. That's very good for our health, particularly for our children and senior citizens.

FRANCIS: OK. We are going to leave it there, guys. Thanks for joining us.

WEISS: Thanks, Melissa.

STEFFY: Thank you.

FRANCIS: And speaking of the campaign, Republican vice-presidential nominee Paul Ryan is in Ohio today to push the Romney plan for a stronger middle class. In a FOX Business exclusive our very own Rich Edson sat down with Ryan in the important swing state.

RICH EDSON, FOX BUSINESS CORRESPONDENT: Melissa, when you talk about Ohio, the other swing states like Florida, the problem for the Ryan-Romney campaign is that they are beginning to see a little bit of an opening for President Obama. He is picking up steam in some of the polls here. So, we asked Congressman Ryan what they could do to try to address that. He is basically saying don't worry about it. Eventually, if we enough -- highlight enough how bad the economy is, when Election Day comes around they will win this thing.

We also spoke about the comments that governor Romney had made a couple of months ago talking about those Americans, nearly half of them pay no federal income taxes.

(BEGIN VIDEO CLIP)

REP. PAUL RYAN (R), VICE PRESIDENTIAL CANDIDATE: Because of the stagnant Obama economy, more able-bodied people are dependent upon the government because they have no opportunities in this economy. What Mitt and I are trying to do, is say, here are the ideas to get growth, to get jobs created so workers can have job security and higher take-home pay. And here is how you get people from dependency, from welfare dependency back to work.

We should not be measuring our safety net programs and success of them such as food stamps by how many people go on the programs. We should be measuring success how many people we get off the programs and back to self- sufficiency and back to work.

(END VIDEO CLIP)

EDSON: I asked him whether he thought 47 percent met a change in American fiber toward America towards "entitlement nation." He says that is not the case, as he explained right there are too many opportunities, there are not enough opportunities in the American economy.

Also, I asked him about taxes, Melissa. It is interesting. You know, Governor Romney came out his most recent effective tax rate, 14.1 percent. And we said under the new Romney-Ryan tax plan would Governor Romney pay more or less in taxes?

Ryan says because they will get rid of so many tax deductions governor Romney would actually under their plan pay more, back to you.

FRANCIS: Rich, interesting stuff. Do they feel like they are winning people over? I mean, I guess they are going to say that because they are politicians. But, do you think that they feel like they're getting traction?

EDSON: They say that. And they feel, they are winning folks over. But the problem is polls in some of these key states don't necessarily show it. Overall nationwide you have seen a narrowing since the Democratic National Convention. You have seen the Republicans move more toward the positive. But there are some troubling signs from them in places like here, like in Ohio and in Florida, some other battleground states. They have to take either Ohio or Florida to win this thing. They know that. They have a lot of work to do in places like this.

FRANCIS: All right. Rich Edson, great interview. Good job. Thank you so much.

EDSON: Thanks, Melissa.

FRANCIS: States cut \$100 billion worth of ballooning pension benefits. Sounds like good news. But, there is just one problem. The whole is still \$800 billion deep. Details how they plan to fill it coming up next.

Plus, unintended consequences despite medical records going electronic, Medicare bills are rising and fraud is spreading. We are going to explain why coming up.

More "Money" coming up.

(COMMERCIAL BREAK)

FRANCIS: So, it is not news to anyone that our country has to make significant reforms to public pensions across the board or those funds will go bankrupt. In fact cities have gone bankrupt over them. And the problem isn't getting any better.

A new report shows even though states collectively cut \$100 billion from the public worker pensions, there is still an \$800 billion gap.

Joining me now to discuss to fix this is Colorado's state treasurer Walker Stapleton.

Mr. Treasurer, thanks so much for joining us. We certainly appreciate your time. And let's get right to it because the study I was talking about is coming from the researchers at Boston College. And I was actually surprised to see that the cut was that big that they cut a \$100 billion or close the gap by \$100 billion. But it is still is \$800 billion, so that even still doesn't get up close. Do you believe that number? And you know, are you surprised that we haven't made even more progress?

WALKER STAPLETON, STATE TREASURER, COLORADO: I don't believe in the number, Melissa.

FRANCIS: Yes.

STAPLETON: Not only a big problem, this is a treat, run away entitlements or threat which threaten the -- I believe to be the greatest economic threat to our nation, health care and retirement entitlements. The problem is that the gap is based on inflated investment return assumptions.

FRANCIS: Yes.

STAPLETON: Joshua (INAUDIBLE), a professor at Stanford Business School and Robert Milton Marks had written a paper where they think these liabilities could be as large as \$4 trillion, a number that is trillions more than even "the Wall Street Journal" reported this weekend in their article. The problem this will end up affecting every single household in America.

FRANCIS: Yes.

STAPLETON: This is something we cannot be complacent about. We have to be proactive to fix this problem or else it will be a debt we'll leave to future generations of Americans.

FRANCIS: It is very true. But, I want to explain viewers what you were talking about at the beginning that the problem is even bigger than most people think. And that is because when they go ahead and make the estimations of what the liabilities are down the road, they budget in six, seven, eight percent growth in their investments every year, and no one is getting that kind of return right now.

STAPLETON: Many of these plans, Melissa, including Colorado have an average investment return assumption over the next 30 years of approximately eight percent.

FRANCIS: Wow!

STAPLETON: Michael Bloomberg said that a 7.5 percent average investment return is indefensible and a seven percent return, if somebody offers it to you, you should take it and hope that their name is not made off. I mean, and the reason for these inflated investment returns is the higher the investment assumption is, the less you have to fund the plan properly.

FRANCIS: Right.

STAPLETON: And all that does is create the deferred liability and leave a debt burden on future generations of Americans, and we need to actually be better than that and get off the couch and do something about this problem before it affects every household in America.

FRANCIS: Yes.

STAPLETON: Anecdotally, just to give you an example, we have a \$25 billion pension liability here in Colorado. That is approximately \$15,000 per individual, 30,000 per home in Colorado.

FRANCIS: OK. So, let's talk about what we can do about it, though, because you look at -- you know, state workers in some places are making a big deal out of paying 10 percent more towards their retirement benefits than they did three years ago.

STAPLETON: Right.

FRANCIS: That's nothing. That doesn't even get us close. How do you actually solve this problem?

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