



**DICK GEPHARDT'S FALL:
HOW A PROGRESSIVE
STALWART TURNED
INTO A SPECTACULAR
POLITICAL SELLOUT**

By Sebastian Jones Reprinted From The Nation



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months after the government gave an unprecedented \$85 billion to AIG, the insurance giant released a list of counterparties, exposing some of the world's top financial institutions as the real recipients of the

bailout. First among its peers, Goldman Sachs got a whopping \$12.9 billion, despite having claimed to be insulated from AIG's troubles. Based on these revelations, Maryland Democratic Congressman Elijah Cummings, who had dogged the financial industry since the crisis began, told his staff to prepare a letter calling for an investigation.

A draft was circulated to House members last March 23. Within hours, Cummings's office had received a phone call from a lobbying firm hired by Goldman Sachs, making an "insistent but polite" request for a meeting. And so it was that top Goldman executives like president Gary Cohen and CFO David Viniar arrived the next day. They brought someone else too, a big-name Democratic politician with serious populist credibility: Dick Gephardt.

While Gephardt spent most of his 28 years in national Democratic politics quietly promoting and voting with establishment interests, he is

best known for his friendship with labor and advocacy for universal healthcare during two presidential runs. In 2003, he harshly condemned corporate crime, which he said "ruined people's lives for selfishness and greed," and launched his candidacy claiming, "Every proposal I'm making, every idea I'm advancing has a single, central purpose: to revive a failing economy and give working Americans the help and security they need."

So why, six years later, was he on Capitol Hill representing one of the biggest players in the largest economic crisis since the Great Depression? And further, why was he recently working for Visa to kill credit card reform, helping Peabody Energy stymie climate change legislation and consulting for United-Health Group alongside ex-Sen. Tom Daschle to block meaningful healthcare reform?

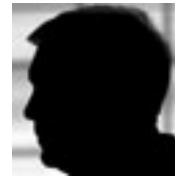
The progressive agenda on which Barack Obama rode to victory has stalled, even with Democrats controlling government. Key aspects of healthcare reform, like a public option, appear dead; climate change legislation, having narrowly passed the House in June, awaits an uncertain fate in the Senate; the Employee Free Choice Act and financial industry reforms have gone off the grid. Behind all these setbacks is a pattern: with little outright opposition, corporate interests have insinuated themselves into the legislative process to co-opt attempts at reform. As a result, the big-ticket items are rotting away, key provisions have been removed and bills are being weakened beyond recognition behind closed doors.

Gephardt as betrayer

Certainly there are still those in Congress willing to stand up to pressure from lobbyists—like Cummings, who, after meeting with Gephardt and the Goldman Sachs executives, sent his letter anyway, launching an investigation by TARP inspector general Neil Barofsky. But the broader momentum is with the corporate interests, thanks to players like Gephardt who have escorted them to the bargaining table. In a town where everyone seemingly has a price, Gephardt has distinguished himself, selling his reputation as a pro-labor, pro-universal healthcare, pro-environment expert and advocate to his new corporate masters, giving their efforts to kill and maim reforms a familiar, friendly face in

the Democratic establishment. As a result, Gephardt has become a highly sought-after and very effective lobbyist. He has also betrayed nearly every principle he once claimed to hold.

When Gephardt ran for president in 1988, his ads claimed he had "defeated the strongest lobbying effort in history," and even in his waning Congressional years, he hardly seemed a defender of lobbying. "I'm running for president because I've had enough of the oil barons, the status-quo apologists, the special-interest lobbyists running amok," he proclaimed in February 2003. By January, his run for the presidency was over; a year later, he gathered with friends in St. Louis for a retirement party. Many politicians and celebrities paid homage: via video, Bill Clinton and Jimmy Carter lavished praise on him, and sportscaster Bob Costas called him "the best president America never had." When a reporter asked Gephardt about his plans for the future, he said he was going to spend some



time with his family and consider a couple of employment opportunities.

On January 1, 2005—before Gephardt's term had even expired—the Congressman's son-in-law signed papers to form a consultancy firm based in Delaware called Gephardt and Associates (now the Gephardt Group). But for most of 2005 it lay dormant as Gephardt joined corporate boards and advised a few big-name companies. Banned from lobbying Congress for a year, he soon discovered there were places outside Washington that needed influencing.

Like California: when Gov. Arnold Schwarzenegger introduced legislation that would have opened the door to increased infrastructure privatization in January 2006, Democrats in the legislature balked. So Goldman Sachs, standing to benefit from these policies, sent Gephardt as an emissary to Sacramento, hoping to persuade the state to monetize infrastructure by levying tolls and then leasing roads to private investors for decades. "I've done some work with Goldman Sachs in their capacity as adviser to both the City of Chicago and now the State of Indiana," Gephardt told California lawmakers at a February 14, 2006, hearing, before extolling the virtues

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of infrastructure privatization if “negotiated properly.”

Several years on, the results have been lackluster. In certain cases, poorly negotiated contracts with little oversight have allowed high tolls and, because of failure to estimate the true value of the infrastructure, have given the private sector wind-fall profits at the expense of local communities. Transit grids have been fragmented, causing unpredictable congestion, leading to significant litigation.

Gephardt has remained committed to the cause of infrastructure privatization, visiting Nevada’s legislature in 2007, and at 2008’s Democratic National Convention joining bankers from Goldman Sachs and JPMorgan Chase to advocate for the

practice on a panel discussion. By then, however, Gephardt had a new day job. In June 2005, he joined DLA Piper, a large Washington lobbying firm, as a consultant. He would not lobby, he told the Washington Post at the time; he would just offer “strategic advice.” His new boss had other ideas, however, telling the trade publication Influence a few days later, “Once he’s able to, he’ll lobby if that’s something that might be useful.” As it turned out, it would be indispensable, because on Nov. 7, 2006, the Democrats recaptured Congress.

Peabody as paymaster

A few days later, DLA Piper welcomed “friends, clients, digni-

taries,” to a post-election briefing featuring Dick Arme and Dick Gephardt. Arme uttered an audible sigh as he began to speak, but Gephardt was upbeat, beginning his remarks with, “Let me get the smile off my face for a minute.” He had reason to grin: the value of his services had just risen astronomically. Peabody Energy, for example, approached Gephardt in late 2006 about signing on to lobby for the company. As Frederick Palmer, Peabody’s top in-house lobbyist, told the St. Louis Post-Dispatch a year later, “I can meet with a lot of people, but I’m Fred Palmer. He’s Dick Gephardt.”

Initially, the Gephardt Group claimed to have standards about the types of clients it would represent.

For lobbyists it's money and prestige

By Roy Malone

“The Nation reached out to Gephardt twice during the production of their piece (via his firm) and they declined both requests for interview,” said Sebastian Jones, writer of the The Nation’s piece on Richard Gephardt’s lobbying career.

“We also submitted a list of questions at the end so that he and his firm could respond to the concerns we raised about his lobbying work—as noted in the piece, they did not answer any of our questions, but did give us a couple of comments that we included in the piece about Gephardt’s work for the PEO industry.”

After leaving Congress, Gephardt’s career as super lobbyist has gone largely unnoticed by the local media. He was always the fair-haired, populist lawmaker from his days as a south St. Louis alderman (his dad had been a milkman), to his many runs for Congress which he won easily, and his two unsuccessful presidential bids.

While some articles have been done by the national media on Gephardt’s lobbying, The Nation’s is the first to explore it in depth. Michael Crowley at The New Republic wrote about Turkey’s lobbying to prevent Congressional recognition of the Armenian Genocide. Gephardt, while in Congress, was a strong supporter of the recognition initiative, but

afterwards, while working for the law/lobbying firm DLA Piper, he was lobbying Congress against recognition—a complete 180. Since that piece was published, Gephardt’s firm has actually taken over as the main lobbying firm for Turkey from DLA Piper. Gephardt did a flip flop, his firm even putting out a pamphlet questioning whether the genocide ever happened.

Jones said he didn’t want to speculate on Gephardt’s motivations for going after certain clients. SJR also requested an interview with the former congressman, and submitted questions regarding his shift in positions, but Gephardt, through his lobbying firm, declined.

But Jones did offer his own view of the lobbying milieu in Washington:

“From my reporting, I do think that two factors are often at play when former lawmakers go to work for companies or groups whose practices run contrary to their old stances: money and prestige. While many who serve in Congress could hardly be described as lacking in financial resources, the circles they travel in tend to be very wealthy. So a desire for a higher standard of living paired with the desire to continue being a power broker—being “the man to know” in order to achieve legislative goals—drive

many into the lobbying business.

“The value they present to those seeking to push a narrow agenda in Washington is beyond doubt: few have as complete and intricate an understanding of the legislative process and as impressive a Rolodex as former lawmakers, particularly those holding leadership positions. While many unions would probably have gladly hired Gephardt to be their DC representative or help them formulate legislative strategy (and compensate him for the work), the basic path he chose to take from public service to influence peddling is not at all uncommon. Just ask Tom Daschle, Billy Tauzin, Martin Frost, and on and on. What made Gephardt’s transformation from lawmaker to lobbyist so interesting was how it involved changing so many policy positions.”

Two former St. Louis Post-Dispatch political writers who had covered Gephardt in Missouri, Fred Lindecke and Dana Spitzer, were not that surprised at Gephardt’s choices. “The unions couldn’t pay as well,” Lindecke said. Spitzer, now editor of the St. Louis Labor Tribune, said: “That’s the way the world works.” He recalled that years ago Gephardt changed his positions on abortion (becoming pro-choice) and became anti-NAFTA at the urging of labor. ■