Media Favor Regulation, Barely Notice Failures of Regulators

From the government's 'cozy' relationship with BP, to the SEC's failure to catch Madoff; networks attack businesses, but not regulators for mistakes.

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5/19/2010 4:20:25 PM

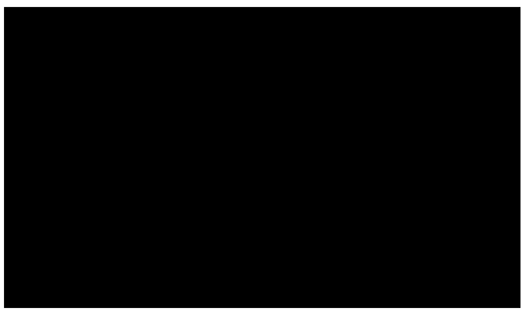
Since Obama took office, there's been a leftward swing toward increased regulation. The news media have supported that tilt, generally failing to demand explanations for high profile failures of government regulators.

From the financial crisis to the Gulf oil spill, a recent string of problems exposed serious failures of government regulators that are supposed to protect the public. But broadcast news media rarely criticized the poor performance of government in such cases.

Take the worsening oil spill off the Gulf Coast that has been called an "environmental catastrophe." The network evening shows have aired a flood of news reports attacking British Petroleum, on the progress of the clean up and speculating about how much wildlife and economic damage could result.

But some of the blame appears to rest on the shoulders of the federal government – something the evening shows didn't acknowledge until more than three weeks after the drilling rig exploded on April 21. In fact, it wasn't until after Obama spoke out against the federal agency on May 14 that any of the evening shows criticized government regulators.

The first report about the alleged negligence of Minerals Management Service (MMS), which oversees oil drilling exploration and safety, aired on CBS May 14. That "Evening News" report boosted Obama, who condemned the "cozy relationship between the oil companies and the federal agency that permits them to drill."



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According to Reuters, a lawsuit was filed on May 17 that accuses MMS "of failing to enforce its own regulations." Chris Oynes, a "top federal official" at MMS in charge of regulating offshore oil drilling, announced his early retirement as criticism grew.

But on May 17 ABC "World News" and CBS "Evening News" barely mentioned that big announcement, devoting just 19 seconds to the news combined.

In contrast, NBC "Nightly News" actually spent more than 6 times that – 1 min. 56 secs. – explaining why Oynes was resigning. Anchor Brian Williams said, "The agency is coming under intense scrutiny now, along with BP, the oil company that operated the rig."

"MMS has a checkered history," NBC's Lisa Myers told viewers. "Fifteen reports by government watchdogs over seven years criticize the agency for being too cozy with industry, corrupt or inept."

Despite this and other failures of regulators, the Obama administration and the news media continue to promote calls for increased regulation.

Obama's Age of Regulation

The Obama administration fiercely advocates expansion of regulation. They have called for new (or more) rules on health insurers, the financial industry and many other groups.

"Federal agencies have toughened or proposed new standards to protect Americans from tainted eggs, safeguard construction workers from crane accidents, prevent injuries from baby walkers and even protect polar bears from extinction," The New York Times reported on May 12.

Eric Lipton of the Times emphasized the administration's steps toward "hundreds of new mandates," in addition to more enforcement and higher fines for violations.

In the past, the news media have eaten up administration calls for regulation or made those calls on their own, portraying government as the only hope for public safety from food, pharmaceuticals, businesses and products.

CBS "Evening News" was just one of the outlets to support Obama's calls for credit card reform, labeling the legislation "help" for small business borrowers. At that time some critics warned that the cap on fees and interest rates could backfire, making it more difficult to get credit.

What the news media rarely do is criticize the failures of existing government regulation, from the Minerals Management Service's allegedly lax enforcement to Securities and Exchange Commission employees caught watching porn instead of doing their jobs.

Tibor Machan, a Hoover Institution research fellow and professor emeritus of philosophy, exposed a fundamental flaw in the pro-regulatory mindset on April 29.

Machan posed the question, "Are regulators incorruptible?"

"You see, if those in government are not incorruptible, their regulation of business cannot be of any help. They would just as easily game the system as those whom they intend to regulate, indeed, more easily because of their legal power," Machan continued. "Are there ways to stop them from doing this? Would they be regulated by some other regulators who would make sure they aren't corrupt? And then how would those regulators manage to be invulnerable to corruption? More regulators, ad infinitum?"

SEC Too Busy Surfing Porn to Regulate Financial Sector?

Then of course there was the financial meltdown. Sen. Chris Dodd, D-Conn., and others want to "reform" (regulate) Wall Street banks as punishment for the economic crisis even though a former financial regulator says the regulation couldn't stop what happened.

"This bill wouldn't have prevented the past crisis, and it won't prevent a future crisis," William K. Black told left-wing website Truthout.org. Black is an economics and law professor as well as the former senior financial regulator who presided over the 1980s savings and loan crackdown.

In fact, the financial sector was heavily regulated during the economic crisis. The Securities and Exchange Commission (SEC), which oversees Wall Street, admitted that "failures in a voluntary supervision program" for the largest investment banks "contributed to the global financial crisis."

According to The New York Times, a report "found that the S.E.C. division that oversees trading and markets had failed to update the rules of the program and was 'not fulfilling its obligations'."

The SEC even failed to stop Bernard Madoff's "massive investment fraud," after a whistleblower warned the agency repeatedly.

"I gift wrapped and delivered the largest Ponzi scheme in history to them and some how they couldn't be bothered to conduct a thorough and proper investigation because they were too busy on matters of higher priority," Harry Markopolos told CNN.

Perhaps investigators were too busy surfing the internet for pornography. On Feb. 2, The Washington Times reported that more than two dozen SEC employees had been internally investigated for viewing porn on their government computers, during the past two years.

In the midst of the crisis, many in the news media blamed "deregulation" of the financial sector for the crisis rather that regulators for failing to do their job. Time magazine found a "Dirty Dozen" to blame for the recession including free markets and deregulation.

No. 7 on their list was "The Myth of the Rational Market." No. 3 was "Twisted Regulation," by which they really meant less regulation of mortgage institutions and lenders.

Yet, the network newscasts continue to repeat calls for more financial regulation rather than challenge the feds or the liberal mindset that regulation is good.

ABC's George Stephanopoulos suggested on April 22 that the administration needs to "do something" tough with the financial reform bill – hitting Treasury Secretary Tim Geithner from the left with his question: "Why shouldn't those big banks be broken up?"

CBS pressured Republicans to support Dodd's financial reform bill throughout the week of April 23. "Evening News" portrayed Republicans as standing in the way. On the "Early Show," Maggie Rodriguez called it "encouraging news" that "Republicans are changing their tone" about the financial regulation bill.

In 2009, Iain Murray of the Competitive Enterprise Institute warned that Obama's regulatory goals looked like the "same old overregulation that got us into this mess in the first place."

On April 20, 2010 Gerald P. O'Driscoll Jr., senior fellow at CATO Institute and former VP of Citigroup, wrote an op-ed explaining "Why Government Regulation Fails." The short answer was that "crony capitalism" is a product of government/business interaction and its effects have been devastating.

"Financial services regulators failed to enforce laws and regulations against fraud. Bernie Madoff is the paradigmatic case and the Securities and Exchange Commission the paradigmatic failed regulator," O'Driscoll wrote. "Fraud is famously difficult to uncover, but as we now know, not Madoff's. The SEC chose to ignore the evidence brought to its attention. Banking regulators allowed a kind of mortgage dubbed 'liar loans' to flourish. And so on."

The problem, O'Driscoll said, stems from the notion that regulation can protect people. He called that "one of the great intellectual failures of the 20th century."

"Any static rule will be circumvented or manipulated to evade its application," he explained.

Media Slam Mining Company for Violations, Rather Than System Designed for Appeal

In April, a tragic West Virginia mining accident claimed 29 lives. Coal mining is just one of many dangerous jobs that are necessary to meet the country's energy needs.

CBS reported that the probable cause of the mine explosion was a methane gas or coal dust buildup, but said that mine owner Massey Energy Company had been criticized for a string of safety violations at the mine. The networks aired dozens of stories critical of Massey and pointed out the numerous violations noted by regulators.

The Washington Post and New York Times hit Massey hard for appealing some of those citations for safety violations. The Times wrote on April 6 that "Mines Fight Strict Laws by

Filing More Appeals."

"[M]ining companies have been able to fend off this tougher regulatory approach by challenging more of the citations filed against them," the Times noted. The same story said that since 2006, federal regulators had "new powers to crack down" on mine companies.

The April 10 Post also criticized mining companies for having "clogged a federal appeals process" with challenges to mine safety citations.

Even though the Post found that "The Miner Act also increased penalties to encourage safer practices, but the effort backfired," there was no harsh criticism of the regulatory structure.

In fact, with the mining act, regulators erred by creating a system in which it became advantageous for mining companies to contest many citations. The 2006 changes increased the financial incentives of appeals (because fines had been raised) and because they were allowed to appeal every citation companies like Massey did.

Despite dozens of network stories on the topic since the coal mine disaster, only a few even hinted at the failure of regulators. A former miner told "World News" April 7 that regulators have the laws, but the enforcement is "lacking."

One "Nightly News" story included a guest who suggested that the system itself was "flawed" and asked why coal companies are allowed to contest violations and tie them up in court.

But the networks didn't challenge Obama's proposed solution of more regulation. Obama "called on Congress to toughen enforcement of existing regulations as well as close loopholes," according to the April 15 Washington Times.

"This Week" guest Katrina Vanden Heuvel of The Nation, also supported calls for regulation (relating to the mine disaster) May 2.

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