

Dan Rather Reports

Episode Number: 308

Episode Title: Silencing the Scientist

Description: In an exclusive interview, a top public health official says the government withheld important information about the health risk posed from living in formaldehyde contaminated campers. Also, some of the wealthiest Americans are paying one of the lowest tax rates. And, journalists and what's "off the record". Plus, the resurgent Texas Democrats.

Silencing the Scientist:

DAN RATHER (ON CAMERA)

GOOD EVENING. WE BEGIN WITH A WARNING THAT WAS NEVER HEARD AND IT'S COMING FROM ONE OF THE NATION'S TOP SCIENTISTS RESPONSIBLE FOR PUBLIC HEALTH. DOCTOR CHRIS DE ROSA, WITH THE CENTERS FOR DISEASE CONTROL, IS SPEAKING OUT FOR THE FIRST TIME TONIGHT ON TELEVISION ABOUT HIS CONCERNS FOR HURRICANE KATRINA VICTIMS ALONG THE GULF COAST. FOR MONTHS, EVEN YEARS, THESE PEOPLE HAVE BEEN LIVING IN CAMPER TRAILERS THAT WERE MAKING THEM SICK...CAMPERS PROVIDED BY FEMA. DOCTOR DE ROSA REPEATEDLY URGED HIS AGENCY TO TELL THE PUBLIC ABOUT THE LONG-TERM RISK FROM THE TOXIC CHEMICAL FORMALDEHYDE WHICH IS FOUND IN THE TRAILERS. NOW WE'VE REPORTED EXTENSIVELY ON THIS BROADCAST ABOUT THE "TOXIC TRAILERS"...TONIGHT, YOU'LL HEAR WHAT THE RESIDENTS NEEDED TO KNOW BUT SOMEONE, SOME WHERE IN THE FEDERAL GOVERNMENT DIDN'T WANT THEM OR YOU TO HEAR.

RATHER (VOICE OVER)

CHRIS DE ROSA IS A SOFT-SPOKEN SCIENTIST, WHO HAS WORKED FOR MORE THAN THREE DECADES TO PROTECT PEOPLE'S LIVES.

CHRIS DE ROSA, CDC SCIENTIST

While I'm not an activist, if you're in the public health service, your role is to be an advocate for public health by translating science into public health service and policy.

RATHER (VOICE OVER)

AS ONE OF THE HEAD TOXICOLOGISTS FOR THE CENTERS FOR DISEASE CONTROL AND PREVENTION, HE HAD A STAFF OF NEARLY 70 PEOPLE

CHARGED WITH ANALYZING TOXIC CHEMICALS THAT ARE IN THE ENVIRONMENT. SO IT WAS ONLY NATURAL THAT THE FEDERAL EMERGENCY MANAGEMENT AGENCY, FEMA, TURNED TO DE ROSA IN THE LATE SPRING OF 2006 FOR GUIDANCE AFTER HEARING COMPLAINTS THAT THE TRAILERS THEY WERE USING TO HOUSE DISPLACED KATRINA VICTIMS WERE MAKING PEOPLE SICK.

DE ROSA

I got a call one evening asking me if I would be available to look at a document they had prepared based on some materials we had on our website addressing specific chemicals including formaldehyde.

RATHER (VOICE OVER)

FORMALDEHYDE, USED TO MAKE PARTICLE BOARDS OF BUILDING PRODUCTS, SUCH AS THE WALLS AND CABINETS OF THE FEMA TRAILERS, RELEASES AS A TOXIC GAS. SOME TRAILERS HAVE HIGHER LEVELS OF THIS GAS THAN OTHERS. AFTER HEARING TRAILER RESIDENTS COMPLAIN THAT THE FORMALDEHYDE WAS MAKING THEM SICK, FEMA WANTED INPUT FROM THE CDC ABOUT THE HEALTH RISKS.

DE ROSA

Based on my review as far as it goes, they did a great job in capturing the short-term health effects. But it would be problematic if we didn't address longer-term health effects, such as cancer.

RATHER

That was a pretty big "but" then.

DE ROSA

It was.

RATHER (VOICE OVER)

HOW DANGEROUS IS FORMALDEHYDE? ITS TENDENCY TO CAUSE RESPIRATORY PROBLEMS IS WIDELY KNOWN. THE WORLD HEALTH ORGANIZATION AND OSHA SAY THAT THE CHEMICAL ALSO CAUSES CANCER. BEYOND THAT DE ROSA SAYS IT CAN CAUSE SPONTANEOUS ABORTIONS.

RATHER

And what was fema's reaction when you said that they should include this, the long-term consequences?

DE ROSA

Well my sense was they had the information in front of them, they needed to include the information, including the issue of cancer. I didn't hear back from FEMA.

RATHER (VOICE OVER)

FOR FAMILIES LIKE THE HUCKABEES WHO HAVE BEEN LIVING IN TRAILERS WITH HIGH LEVELS OF FORMALDEHYDE, THE HEALTH EFFECTS ARE ALL TOO REAL.

LINDA HUCKABEE

We're down to one nose bleed every two weeks, but for a while it was two or three a week.

RATHER (VOICE OVER)

LINDSAY HUCKABEE, HER HUSBAND STEVE AND THEIR FIVE CHILDREN HAVE BEEN SICK CONTINUOUSLY SINCE MOVING IN AFTER THE STORM. THEIR SYMPTOMS ARE CONSISTENT WITH EXPOSURE TO FORMALDEHYDE.

HUCKABEE

Michael was born shortly after we moved into the trailer. Actually, within two weeks of us getting our first FEMA trailer. And he just turned two, he's back and forth with sinus infections, ear infections.

HUCKABEE

My children have missed a lot of school since we've gotten in the FEMA trailer. Last year – Laila was in kindergarten, and she missed 43 days, I believe.

LAILA HUCKABEE

I have nose bleeds a lot.

RATHER (VOICE OVER)

THEN IN FEBRUARY 2007, DE ROSA SAW THE REPORT ON FORMALDEHYDE PREPARED BY THE CDC FOR FEMA. THIS WAS MORE THAN SIX MONTHS AFTER HE RAISED THE LONG-TERM HEALTH CONSEQUENCES, BUT THERE WAS STILL NO MENTION OF IT.

DE ROSA

I began to look through it, and I realized that it had been restricted to the short-term health effects. And I felt this was potentially misleading and a threat to public health.

RATHER (VOICE OVER)

SO HE DRAFTED A STERN LETTER TO FEMA FOR HIS CDC MANAGERS TO REVIEW STATING THAT THERE IS NO RECOGNIZED SAFE LEVEL OF EXPOSURE TO FORMALDEHYDE AND THAT FAILURE TO TELL THE PUBLIC ENDANGERS THEIR HEALTH. DE ROSA DIDN'T HEAR BACK FOR OVER A WEEK, BUT HE SAYS FINALLY AFTER SOME PRODDING, THE CDC SENT A LETTER TO FEMA. BUT THAT WASN'T THE END OF THE ISSUE. FEMA WAS STILL INSISTING ON IDENTIFYING A SAFE LEVEL OF FORMALDEHYDE.

DE ROSA

It was in very late May that we got another request from FEMA. But this request came in through our sister agency, the National Centers for Environmental Health requesting some technical assistance and support in addressing FEMA's request for the identification of safe quote, unquote safe levels of exposures of formaldehyde.. And I received it on June 1st, when I saw it I wrote to my colleagues and said we need to be very cautious in making a public health call on formaldehyde especially as it relates to defining, quote, unquote, safe levels because it is a matter of government policy, science policy that there is no safe level of exposure to formaldehyde.

RATHER (VOICE OVER)

DE ROSA SAYS THAT FEMA SEEMED TO BE SHOPPING AROUND FOR CDC SCIENTISTS WHO WOULD GIVE THEM THE ANSWERS THEY WANTED TO HEAR.

RATHER

What was going through your head? I mean you knew there were thousands of people, tens of thousands of people living in these trailers with there children, some cases many children. What were you thinking?

DE ROSA

The things that where going through my head, was that this was not some theoretical risk that we often talk about in environmental health and in science. More generally this is something that is tangible. Kids. The elderly are presenting clinically. Having seen children undergoing acute asthma attack and knowing that these kids are housed in those trailers. Their parents are watching this. They're spending time in the emergency room. I felt that there was a need to act.

RATHER (VOICE OVER)

BUT FEMA AND THE CDC STILL DID NOT ACT ON DE ROSA'S WARNING THAT EXPOSURE COULD BE DEADLY. HE BELIEVES THAT NEITHER OF THESE AGENCIES LIVED UP TO THEIR RESPONSIBILITIES.

DE ROSA

We took people at their most vulnerable point and we moved them to a disaster that was potentially worse, and they thought it was better.

RATHER

And that's what you tried to get others to put out publicly.

DE ROSA

Yes.

CONGRESSMAN BART GORDON

The bottom line is that a year ago the CDC failed to serve the public health when they notified FEMA that the formaldehyde in their trailers wasn't a health risk.

RATHER (VOICE OVER)

CONGRESSMAN BART GORDON, DEMOCRAT FROM TENNESSEE, IS THE CHAIRMAN OF THE HOUSE COMMITTEE ON SCIENCE AND TECHNOLOGY. HE HAS TAKEN A KEEN INTEREST IN THE CDC'S HANDLING OF THIS MATTER.

GORDON

I think that it was a collapse of management. I think it was really a lack of serious concern at the top and it's really a classic story of a 30 year public servant who saw there was a problem and wouldn't let it go and kept going to his superiors, trying to get it changed to protect the public health which was his charge. They wouldn't listen, didn't want to listen.

RATHER (VOICE OVER)

IT'S HARD FOR ME TO UNDERSTAND, I WANT TO COME BACK TO THE CDC, WHY THE CDC WOULD IGNORE WHAT DOCTOR DE ROSA HAD TO SAY, AGAIN WORLD RENOWNED SCIENTIST, ABOUT THE LONG-TERM HEALTH HAZARDS FROM EXPOSURE TO FORMALDEHYDE? AND WHY ONCE THEY AGREED TO ADDRESS HIS CONCERNS, THEY TOOK SO LONG TO DO SO.

GORDON

Well that's something that we want to know more about also. Again you could say it's a management failure, well clearly that's the case, whether or not it's a situation of not wanting to rock the boat, whether someone from above said, "Don't cause any embarrassment." We don't know yet. But we're gonna have hearing and try to get to the bottom of it.

RATHER (VOICE OVER)

WOULD YOU OR WOULD YOU NOT USE THE WORD "SUPPRESSED" WHEN IT COMES TO WHAT YOU'VE REPEATEDLY TRIED TO GET OUT ABOUT THE FEMA TRAILERS?

DE ROSA

If it was not suppressed, it was simply ignored. Maybe there's not a difference there. But there was ... I didn't feel I had an audience that was hearing what I had to say.

RATHER (VOICE OVER)

IN AN E-MAIL RESPONSE, THE CDC SAYS THAT SINCE THE EARLIEST DAYS OF HURRICANE KATRINA, THE AGENCY HAS WORKED TO IN ITS WORDS "PROVIDE ACCURATE, ACCESSIBLE HEALTH INFORMATION TO RESIDENTS OF THE GULF COAST REGION ABOUT HEALTH THREATS." AT THE SAME TIME AS DE ROSA WAS PRESSING ON THE HEALTH RISK ISSUE WITH THE TRAILERS ... HE WAS ALSO PRESSING THE CDC TO RELEASE A FIVE YEAR STUDY WARNING THAT NINE MILLION PEOPLE LIVING AROUND THE GREAT LAKES WERE AT RISK FOR HEALTH PROBLEMS. THE CDC PLANNED TO RELEASE THE REPORT IN JULY 2007, BUT AT THE LAST MINUTE, CANCELLED THE RELEASE SAYING IT NEEDED MORE REVIEW AND THAT THE RESEARCH METHODS WERE FLAWED. THE REPORT, THEY SAY, WILL BE RELEASED THIS SPRING.

DE ROSA

At the eleventh hour to have it simply blocked, to me was, difficult. But what became even beyond difficult was when there was such labored efforts to discredit the report, including sending it out to the same peer reviewers a second time with very directed instructions on how to identify the flaws in the report. But yet those same peer reviewers held the course. They stated clearly that the report should be released as written.

RATHER (VOICE OVER)

THE CENTER FOR PUBLIC INTEGRITY, A WASHINGTON WATCHDOG GROUP, OBTAINED A DRAFT OF THE REPORT AND POSTED IT ON THEIR WEBSITE, ALONG WITH COMMENTS FROM THE PEER REVIEWERS, ALL CRITICIZING CDC FOR WITHHOLDING THE STUDY. NOW CONGRESS IS INVESTIGATING

WHY CDC, AFTER SO MANY YEARS, IS STILL STALLING THE GREAT LAKE STUDY RELEASE.

DE ROSA

At the core of public health service is a preeminent emphasis on prevention, and invoking the precautionary principle that it is better to prevent than cure.

RATHER

Is that or is that not what you were trying to do with the FEMA trailers?

DE ROSA

Yes

RATHER

Is that or is it not what you were trying to do with the Great Lakes case?

DE ROSA

Yes.

RATHER (VOICE OVER)

A YEAR AND A HALF AFTER DE ROSA FIRST BROUGHT UP THE LONG-TERM HEALTH RISKS OF FORMALDEHYDE EXPOSURE IN THE FEMA TRAILERS, THE CDC FINALLY INCLUDED MOST OF THOSE RISKS IN A REVISED REPORT. A FEW WEEKS LATER, DE ROSA WAS QUOTE, REASSIGNED UNQUOTE TO ANOTHER JOB. HIS NEW JOB WAS WITHOUT A STAFF OR ANY OF HIS OLD RESPONSIBILITIES.

RATHER

What's going on here?

DE ROSA

Well they've certainly done a good job of removing me from my position where I'd been for 18 years. I'm no longer interacting with my colleagues, many of whom I've worked with for many, many years. And I don't have the opportunity to make connections with people outside the organization that I had. Haven't had a phone number of record since October since I returned and I was moved. So that makes things very difficult for me.

GORDON

Of course, now he also has been demoted. But a reasonable person might look and see that just a year ago this person that was demoted got a 10,000 dollar bonus plus his he got a 5 percent raise in contrast to the normal 2 and a half percent raise. So clearly he was doing a good job, they thought at the time, and was internationally respected within his toxicology field.

RATHER (VOICE OVER)

CONGRESSMAN GORDON SAYS HE ALSO WANTS TO TELL PUBLIC SERVANTS ... DON'T BE AFRAID TO STEP FORWARD.

GORDON

We also need to send a message and the message throughout all those public servants that are charged with protecting the public health that they shouldn't be afraid to come forward and do their job. We need to get back that type of atmosphere where every person within the federal government feels empowered, you know to do there job and step forward and to try to help serve the public.

RATHER

Are they trying to get rid of you?

DE ROSA

They would have fewer problems, if I weren't here. I think that uh, my sense is that there may also be an element of sending a message more broadly. That given the fact that I had a fairly strong track record over 27 years as a federal employee and prior to that for ten years in academia. That uh the message is, if they can do that to me, what will they do to others?

RATHER (ON CAMERA)

COMING UP NEXT ON OUR PROGRAM... IT'S A GREAT DEAL IF YOU CAN GET IT, BILLIONAIRES WHO ARE PAYING A LOT LESS TAX THAN MOST OF THE REST OF US.

Taxing the Titans:

RATHER (ON CAMERA)

FOR OUR NEXT REPORT, WE TURN TO WALL STREET. BACK IN THE 1980S THE GODS OF FINANCE WERE THE INVESTMENT BANKERS HERALD IN

BOOKS LIKE "BONFIRE OF THE VANITIES" AND IN MOVIES LIKE 'WALL STREET'. BUT THEY'VE NOW BEEN ECLIPSED BY TODAY'S TITANS WHO ARE MAKING BILLIONS OF DOLLARS AND LIVING A LIFESTYLE THAT HASN'T BEEN SEEN SINCE THE ERA OF THE ROCKEFELLERS AND VANDERBILTS...THESE TYCOONS OF THE 21ST CENTURY RUN MULTI-BILLION DOLLAR HEDGE FUNDS AND PRIVATE EQUITY FIRMS. HEDGE FUNDS AS THE NAME IMPLIES, MAKE BETS – OR HEDGES -- ON WHETHER A STOCK, INTEREST RATE OR CURRENCY IS GOING TO RISE OR FALL. ..WHILE PRIVATE EQUITY FIRMS USE INVESTORS MONEY TO BUY AND SELL COMPANIES AT A PROFIT.

RATHER (VOICE OVER)

THE PROFITS THESE FUNDS GENERATE PAY FOR LAVISH LIFESTYLES - PENTHOUSE APARTMENTS, MANSIONS THE SIZE OF HOTELS AND PRIVATE PLANES AND YACHTS GALORE. WE'RE TALKING BILLIONS OF DOLLARS HERE.

RATHER (ON CAMERA)

FOR ALL THEIR MONEY, WOULD IT SURPRISE YOU TO LEARN THEY PAY A LOWER TAX RATE ON SOME OF THEIR EARNINGS THAN MOST AMERICANS? TONIGHT, IN OUR STORY ABOUT THESE TITANS AND THEIR TAXES...WE'LL EXPLAIN WHY THAT IS. FIRST MEET THE MAN WHO'S DETERMINED TO GET THESE MASTERS OF THE FINANCE UNIVERSE TO PAY UP.

CHARLES RANGEL (CHAIRMAN, HOUSE WAYS AND MEANS)

I think every poor slob should aspire to be able to make that kind of money in this great country. And that's what America's all about. The only problem that I have is that you're supposed to pay a fair tax on what you made.

RATHER (VOICE OVER)

CHARLIE RANGEL IS THE POWERFUL CHAIRMAN OF THE HOUSE WAYS AND MEANS COMMITTEE. HE SAYS THE PRIVATE EQUITY FINANCIERS ARE TAKING ADVANTAGE OF AN ANTIQUATED TAX CODE THAT ALLOWS THEM TO CLAIM THEIR PROFITS AS CAPITAL GAINS – NOT AS INCOME.

RANGEL

We have a tax code that hasn't been reviewed for 20 years. We have all kinds of people that encourage tax writers to give them preferential treatment. Now we got things in the law that we forgot how they got into the law and it has no economic excuse.

RATHER

You wouldn't have any argument if they paid a 35 percent tax rate.

RANGEL

That's what they should pay.

RATHER

But they're paying 15 percent, and that's your complaint.

RANGEL

Exactly.

RATHER (ON CAMERA)

MOST OF US PAY A MUCH HIGHER TAX RATE ON INCOME - SOME UP TO 35 PERCENT. BUT TO ENCOURAGE INVESTMENT IN THE STOCK MARKET OR IN A BUSINESS, THE GOVERNMENT TAXES THESE INVESTMENT PROFITS CALLED CAPITAL GAINS AT ONLY 15 PERCENT. UNDER THE CURRENT LAW FUND MANAGERS GET TO PAY 15 PERCENT ON THEIR SHARE OF THE PROFITS THEY MAKE...EVEN THOUGH THEY USE OTHER PEOPLE'S MONEY TO GENERATE THE PROFIT.

RANGEL

They want us to believe that their talents are so great that they should be treated as though they're making a capital investment. I said we can't make a capital investment unless you're using your own money. You can't do it with other people's money.

RATHER

Rangel's bill would close -- in his words - a loophole in the tax code and require those private equity managers to pay 35% on all their earnings. The bill would also affect hedge funds and other investment partnerships.

RATHER (VOICE OVER)

THIS IS A MASSIVE TAX INCREASE ACCORDING TO RANGEL'S CRITICS...

RANGEL (ON THE HOUSE FLOOR)

This isn't a tax increase, this is a closing of a loophole...

RATHER (VOICE OVER)

WHAT SPARKED CONGRESS' INTEREST? STEPHEN SCHWARZMAN THE HEAD OF BUYOUT FIRM BLACKSTONE THREW HIMSELF A HEADLINE GRABBING BIRTHDAY BASH LAST YEAR...SHORTLY BEFORE HE TOOK HIS COMPANY PUBLIC ...FOR A MINT.

RATHER

He earned \$675 million after he took the company public. Is that what brought the issue to your attention? Seeing that?

RANGEL

There were many, many cases, including his, that came to our attention to so the-- show the inequities in the law.

RATHER (VOICE OVER)

ONE OF THOSE INEQUITIES ACCORDING TO RANGEL IS THE ALTERNATIVE MINIMUM TAX, DESIGNED DECADES AGO TO ENSURE THAT MILLIONAIRES PAY THEIR FAIR SHARE OR AT LEAST PAY SOME TAXES. BUT MORE RECENTLY IT HAS ENSNARED THE MIDDLE ECONOMIC CLASS. SO CONGRESS RECENTLY SUSPENDED IT FOR SOME PEOPLE FOR ONE YEAR...

RANGEL

And so in order to eliminate that, we had to raise the revenue from somewhere. Why not raise it where equity prevails? Fairness prevails?

RATHER (VOICE OVER)

IN THE DEMOCRATIC- CONTROLLED HOUSE OF REPRESENTATIVES, RANGEL'S FAIRNESS ARGUMENT CARRIED THE DAY.

Congressman Stark

It's a scam.

Congressman Pascrell

Why should the Kings of Wall Street only pay 15 percent on their contingency fees when most teachers and police officers pay 25 to 30 percent?

RANGEL

I say God has blessed them to make as much money as they want. But all I'm saying-- Senator Long, who was a chairman of this committee for many, many years, long before I came here, he used to say that the code is, "Don't tax me. Don't tax thee. Tax the guy behind the tree." So I'm saying I got you from behind the tree. If you think I'm unfair, come from behind the tree and stand up and explain to the American people why we're wrong.

DOUG LOWENSTEIN (THE PRIVATE EQUITY COUNCIL)

If I came along and I said, "Dan, I'm gonna raise your taxes 135 percent," how would you feel about that?

RATHER

I wouldn't like that.

LOWENSTEIN

You wouldn't like it. (LAUGHTER) Well, the industry didn't like it either. And so it responded in a fairly aggressive way.

RATHER (VOICE OVER)

HOW AGGRESSIVE? THE BIG BUYOUT FIRMS – BLACKSTONE, KKR, TPG AND THE CARLYLE GROUP HIRED VETERAN LOBBYIST DOUGLAS LOWENSTEIN AND FORMED A NEW TRADE ASSOCIATION CALLED-- THE PRIVATE EQUITY COUNCIL.

RATHER

Fair or unfair to say that-- certainly in the recent past that your main mission has been to defeat the house bill that would increase the taxes?

LOWENSTEIN

I'd say we spent the large bulk of our time in 2007-- working to defeat the House bill.

RATHER (ON CAMERA)

PRIVATE EQUITY AND OTHER INVESTMENT FIRMS BUILT UP THEIR WASHINGTON PRESENCE BIG TIME, SPENDING ALMOST 12 MILLION DOLLARS ON LOBBYING ALONE...QUADRUPLE WHAT WAS SPENT IN 2006...NOW IF YOU THINK THAT'S A LOT OF MONEY, KEEP IN MIND THAT THEY WERE WORKING TO PRESERVE TAX BREAKS WORTH AN ESTIMATED 26 BILLION DOLLARS SPREAD OVER TEN YEARS.

RATHER (VOICE OVER)

LOBBYISTS LIKE LOWENSTEIN WORKED TO CONVINCING CONGRESS THEIR CLIENTS WERE ENTITLED TO CAPITAL GAINS TREATMENT.

LOWENSTEIN

There is a capital gains rate. And private equity funds are eligible for that rate, just as anybody else in the country is eligible to the extent that you make an investment that qualifies for capital gains tax treatment.

RATHER

Individuals who make profits on stocks.

LOWENSTEIN

Stocks or anything else. Private equity firms are owners of these assets. That's the key for capital gains. It's always been the key. It's never been how much money you put in. It's been are you investing and owning an asset, holding it for a year, and adding value to it? And if you do, you're eligible for capital gains.

LEE SHEPPARD (CONTRIBUTING EDITOR, 'TAX NOTES')

The special break should belong to the investors. It should not belong to the managers who are using somebody else's money to do this.

RATHER (VOICE OVER)

LEE SHEPPARD WRITES FOR THE PUBLICATION 'TAX NOTES.' SHE SAYS THE PRIVATE EQUITY FIRMS ARE EXPLOITING A TAX PROVISION MEANT FOR ENTREPRENEURS.

SHEPPARD

This isn't, you know, somebody starting a business in their garage and, you know, not eating for a few years while they build it. What the private equity people do-- I mean, the-- the-- the unattractive vernacular for it is rip, strip and flip.

RATHER

Rip, strip and flip?

SHEPPARD

Rip, strip and flip means you buy the thing, you rationalize it in ways which include cutting costs and that may include cutting people or closing plants or, you know, trying to make it a leaner sort of business. And then you hope that after you've owned it for three or five years that somebody else will pay you more money for it. Or you'll maybe take it public again.

LOWENSTEIN

Well, you know, a strip, flip, and rip is a great slogan. Unfortunately, (LAUGHS) there's no factual basis for it. Private equity typically isn't acquiring companies that are enormously successful. They're acquiring companies that are struggling. And so you come in, and you have to try to build a business. You have to grow value. You have to add value. You have to make that business more attractive to another buyer. And if you essentially turned it into a shell of itself who's gonna buy it? It defies common sense. It's a great slogan. It isn't how it works.

RATHER (VOICE OVER)

PRIVATE EQUITY FIRMS BAILED OUT DUNKIN DONUTS AND BURGER KING, ENABLING THE COMPANIES TO EXPAND AND GROW REVENUE. WHEN BUYOUT FIRM CERBERUS TOOK OVER CHRYSLER, THOUSANDS OF WORKERS LOST THEIR JOBS. THE JURY'S STILL OUT ON WHETHER IT CAN TURN THE COMPANY AROUND.

RATHER

Now we spoke to Congressman Rangel recently.

LOWENSTEIN

I-- I have the greatest respect for Congressman (LAUGHTER) Rangel.

RATHER

And he called your tax treatment, and i quote here, "an unfair and unwarranted benefit," quote, unquote.

LOWENSTEIN

Well, obviously we disagree. With that characterization the benefit, as I said-- we think that the tax treatment makes perfect sense in the context of rewarding entrepreneurial investment.

RATHER

There's a perception that people who make the most money and people who make a lot of money should be taxed at least at the equal level with regular working people.

LOWENSTEIN

If we think there's a problem with fairness in the tax code, let's just not single out one class of successful investors who happen to be in private equity and say, "We'll raise all your taxes, but other similarly situated people we're gonna leave alone." There are plenty of successful people in this country who have substantial capital gains income.

RATHER

There's been a consistent lowering of the capital gains tax, now down to 15 percent.

LOWENSTEIN

Right.

RATHER

Now, would or would not – you and the people you represent raise the capital gains tax?

LOWENSTEIN

I think that's exactly the way the debate ought to unfold.

RATHER (VOICE OVER)

LOWENSTEIN'S ARGUMENTS RESONATED WITH REPUBLICANS IN THE SENATE IDEOLOGICALLY OPPOSED TO A TAX INCREASE OF ANY KIND... AND NERVOUS ABOUT WHAT THEY SAY MAY BE UNINTENDED CONSEQUENCES.

SENATOR MCCONNELL (SENATE FLOOR)

Let me be very clear to my colleagues across the aisle: Republicans will not raise taxes...will not raise taxes.

SENATOR CORNYN (SENATE FLOOR)

We know a tax increase is like throwing a wet blanket on the American economy.

SENATOR GREGG (SENATE FLOOR)

These folks are essentially the engine of a large part of our economy

RANGEL

Closing the gap with what they should be paying and what they are actually paying was described by the White House as that I was raising taxes. Well, let's face it anytime you find an immoral, almost illegal intrusion on fairness and equity in the tax code and you remove it, of course you're saying the scoundrels should pay taxes.

RATHER (VOICE OVER)

CONGRESSMAN RANGEL STILL MANAGED TO PASS THE BILL OUT OF THE HOUSE, OVER REPUBLICAN OBJECTIONS. BUT THEN IT HIT THE SENATE. SENATE DEMOCRATS WERE ABLE TO MUSTER ONLY 46 VOTES...NOT ENOUGH TO BREAK A FILIBUSTER. AND SO THE BILL MAY BE DEAD FOR NOW, BUT LOWENSTEIN AND SHEPPARD AGREE A LARGER DEBATE ABOUT OUR WHOLE TAX SYSTEM IS LONG OVERDUE.

LOWENSTEIN

What's the right balance? People need to believe the system isn't rigged against them. But it also needs to accomplish other objectives. One of those objectives is promoting investment. If we don't have an investment environment in this country, we will not grow as a country.

SHEPPARD

It is true that all taxes, you know, impede to a little or large extent economic activity. But fairness and-- and morality are real considerations in the tax system. And we can't say to that welder's apprentice, "Well, you know, we're gonna withhold tax from your wages. We take it right out of your paycheck so you don't ever see it." And you have no opportunity to argue with us about it. But, these guys, you know, who are much more fortunate than yourself tax is sort of optional for them. And-- they pay at a lower rate than you do. We can't have him thinking the system is unfair. It's not good politically.

RATHER

He doesn't get a—

RATHER

--'Cause he doesn't have lobbyists who are—

SHEPPARD

He has no political power. He has no lobbyists. He has no money to make campaign contributions. There are not too many people who represent him.

LOWENSTEIN

You know, at the end of the day, in my experience, you don't win because your-- you hire the best lobbyist. You don't win because you give the most money. You still have to build a foundation, an intellectual basis, around what you're doing. 'Cause sooner or later if you don't have that, the emperor has no clothes.

RATHER (VOICE OVER)

RANGEL SAYS HE'LL KEEP PUSHING THE BILL.

RANGEL

We gotta keep sending it over to the Senate until they can explain why this is bad tax policy.

LOWENSTEIN

And I'm sure if you've talked to Chairman Rangel, as you have, he'll tell you that he's not finished. He—

RATHER

He did say that, as a matter of fact.

LOWENSTEIN

And I've been around long enough to know that trying to predict what happens in Congress is a fool's mission, so what I can predict with confidence is the issue is not going away and I can tell you with confidence that we are not going away. And we hope to sort of persuade people every time that the current policy makes sense for the economic growth and competitiveness of this country.

RATHER (ON CAMERA)

WHEN WE RETURN, WE'LL TAKE YOU FROM THE WORLD OF BIG MONEY TO THE WORLD OF HIGH STAKES JOURNALISM, AND WE'LL TALK TO A MAN AT THE CENTER OF A CONTENTIOUS DEBATE BETWEEN THE FREEDOM OF THE PRESS AND THE RULE OF LAW.

Anonymous Sources:

RATHER (ON CAMERA)

IN FEBRUARY, AS JOHN MCCAIN EMERGED AS THE MOST PROBABLE REPUBLICAN NOMINEE FOR PRESIDENT, HE WAS HIT WITH A FRONT-PAGE NEW YORK TIMES ARTICLE THAT IGNITED A MEDIA AND POLITICAL FIRESTORM. THE STORY IMPLIED AMONG OTHER THINGS THAT MCCAIN HAD TOO CLOSE A RELATIONSHIP WITH SOME LOBBYIST AND MAY HAVE HAD AN AFFAIR WITH ONE WOMAN CORPORATE LOBBYIST. THE STORY RELIED MOSTLY ON ANONYMOUS SOURCES. THE BUZZ ON TALK RADIO, THE INTERNET, AND THE CABLE NETWORKS WAS LESS ABOUT MCCAIN THAN WHETHER AMERICA'S MOST VENERABLE NEWSPAPER WAS BEING JOURNALISTICALLY IRRESPONSIBLE. THE PENTAGON PAPERS AND WATERGATE STILL STAND AS MONUMENTS TO THE IMPORTANCE OF ANONYMOUS SOURCES IN BREAKING MAJOR STORIES, BUT RECENTLY, JOURNALISTS HAVE BEEN UNDER SIEGE: THE NUMBER OF FEDERAL SUBPOENAS ISSUED TO REPORTERS HAS SKYROCKETED OVER THE LAST FIVE YEARS. AND AS REPORTERS ARE DRAGGED INTO COURT TO REVEAL THEIR SOURCES, SOME HAVE GONE TO JAIL TRYING TO PROTECT THEM.

RATHER (VOICE OVER)

THAT WAS THE CASE WITH FORMER NEW YORK TIMES REPORTER JUDITH MILLER, WHO IN 2005 SPENT THREE MONTHS IN JAIL FOR REFUSING TO REVEAL HER SOURCE IN THE SO-CALLED CIA LEAK CASE. THAT WAS WHEN WHITE HOUSE OFFICIALS REVEALED THAT VALARIE PLAME, THE WIFE OF A CRITIC OF THE IRAQ WAR, WAS IN FACT A CIA OPERATIVE. ANOTHER REPORTER, TIME MAGAZINE'S MATT COOPER, ALMOST WENT TO JAIL AS WELL.

RATHER (ON CAMERA)

TONIGHT YOU'RE GOING TO HEAR FROM MR. COOPER'S BOSS DURING THE PLAME EPISODE, FORMER TIME MAGAZINE EDITOR-IN-CHIEF, NORMAN PEARLSTINE. PEARLSTINE WAS VILIFIED BY HIS JOURNALIST PEERS WHEN HE HANDED OVER COOPER'S NOTES TO THE COURT. BUT HE SAYS HE HAD A VERY GOOD REASON FOR HIS DECISION AND THAT JOURNALISTS ARE FAR TOO EASILY SEDUCED BY SOURCES WHO OFFER TO GO OFF THE RECORD.

NORMAN PEARLSTINE

We journalists get to the point where we're almost wary of the person who's on the record because we say, "God, if somebody's actually gonna talk on the record they must be just telling us half the story." (LAUGHTER) And so, you know, you're talking to somebody and he's mouthing something that just sounds like a press release. And then you ask him a question and he pauses and he says, "Hey, can we go on background?" And your ears perk up. You say, "Hey, I'm finally gonna get something I can use."

DAN RATHER

Now, you've been pretty hard on journalists using-- and from your view, overusing anonymous sources. Let's talk about that.

PEARLSTINE

We can all point to stories, we've all written them, where the source's information was so valuable that you were willing to grant the anonymity, even though it might undermine your credibility in the eyes of your readers or viewers-- even though you run the risk that-- you may, in fact, be manipulated by that source. On the other hand-- we now live in a world where every day we pick up the paper, we listen to newscasts, and we hear-- examples of anonymous sources where you say, "Wait a minute, why was that really necessary?"

RATHER

I find when i speak to consumers of news, they have some-- they say, "listen, how could you give confidentiality to a-- a known criminal, a known convict? This guy had a record as long as your arm and you're giving him confidentiality." my own answer frequently is, listen, it would be ideal if we could deal with priests and choirboys and—

PEARLSTINE

That's right.

RATHER

--Friendly aunts all the time, but that's not the way it works.

PEARLSTINE

No. It is not. I think there are a couple things we have to recognize. One is-- if I am witnessing a crime, then I don't think I can grant confidentiality. If I see you stick up a bank, I don't think I can say, "Oh, that's a confidential source. I'm not gonna talk about that." On the other hand, there are a lot of unsavory people who have valuable information. And if we think that, in fact-- our society and our republic benefits from the information, then I don't think we can be too fussy about the source.

RATHER (VOICE OVER)

OF COURSE, FOR PEARLSTINE, THE QUESTION ABOUT ANONYMOUS SOURCES ISN'T JUST SOME ACADEMIC DEBATE. AFTER HE RELEASED MATT COOPER'S NOTES IN THE VALERIE PLAME CIA LEAK CASE, HE

BECAME ONE OF THE MOST CRITICIZED MEN IN JOURNALISM. HE WAS CALLED OUT FOR HIS "BETRAYAL OF A LONG-STANDING PRINCIPLE OF AMERICAN JOURNALISM." HE WAS LABELED "WIMP OF THE YEAR." IT WAS CLAIMED HE PERSONIFIED THE "INCREASING CORPORATE OWNERSHIP OF MEDIA ORGANIZATIONS AND ITS THREAT TO PRESS FREEDOM." AND THE COLUMBIA JOURNALISM REVIEW SAID: "PEARLSTINE" KNOWS "PRECISELY HOW THE FIRST SENTENCE OF HIS OBITUARY IS GOING TO READ."

PEARLSTINE

The decision that I made to turn over-- Matt Cooper's notes to the special prosecutor after the Supreme Court rejected our petition asking it to-- to let us keep the notes, I called that the toughest decision I made in more than years 35 in the business. And I can't say that without recognizing that these are issues upon which reasonable people can differ.

RATHER

And Matt Cooper's position was, "it came from a confidential source. I've given my word. And i'm not telling you."

PEARLSTINE

I'm not telling. That's--

DAN RATHER

--What happened after that?

PEARLSTINE

What happened was, first of all, we were held in contempt. And my initial reaction, frankly, was to agree with Matt. There's a, you know, almost a three hundred year tradition in the United States of journalists going to jail to protect sources. And if-- if the courts want to know who Matt Cooper's source is, he's gonna go to jail. Time, Inc.'s gonna pay some fines. We're a big media company. And that's just part of the cost of doing business.

RATHER

Let me pause right there. That sounds right to me. That-- that sounds in keeping with the best traditions--

PEARLSTINE

That's correct.

RATHER

--of American journalism, not to mention personally keeping your word.

PEARLSTINE

Sure.

RATHER

So why not do that?

PEARLSTINE

What happened? What happened? (LAUGHTER) A few things. First of all, I absolutely believe that an individual journalist and that journalist's editor-- can engage in an act of civil disobedience. The second issue you have is-- can I as a reporter unilaterally make you a confidential source? Or is it something that, in fact, we ought to sit down, talk about, and agree to? And in this particular case-- Karl Rove never asked to be confidential. Karl Rove said, "I wanna be on deep background. Don't put my name in your magazine. And don't refer to an administration official."

RATHER

But I'll tell you what the story is.

PEARLSTINE

But I'll tell you what the story is. And, in fact, Karl Rove says—and I believe him on this that he never thought of himself as a confidential source. He thought of himself as an anonymous source. He didn't want the public knowing that he had been talking about Valerie Plame. But it actually complicated his life that Matt Cooper unilaterally decided to make him confidential. And Karl almost got indicted as a result of that.

RATHER

What should have been done—to give the confidentiality to the source or the anonymity to the source to protect the source and, at the same time, get the information out and protect yourself against possible court proceedings?

PEARLSTINE

The best of all worlds is that before you go into print, you and your immediate superior have a conversation where you say, "Well, what is it that we're granting here? Is there an issue with confidentiality or is this just anonymity?" You know, getting Karl Rove on the phone is a big deal even for *Time* magazine. And a ninety-second conversation, you're not gonna stop at that moment and say, "Well, let's-- let's, you know-- you know, what do

you mean deep background?" You-- you know, you're-- you're just happy to get him there. Keep talking. Keep telling me something. So-- but the day you get a subpoena, it does seem to me that you and your editor and your lawyer which gives you some privilege sit down in a room and say, "Well, let's reconstruct this for a minute. Let's go back on this. Let's find out-- did-- do you think you granted confidentiality of your source? Do you think your source thinks he's confidential?"

RATHER (VOICE OVER)

PEARLSTINE, IN A BOOK EXPLAINING HIS SIDE OF THE STORY, DRAWS A SHARP DISTINCTION BETWEEN GRANTING SOURCES CONFIDENTIALITY AND GRANTING THEM ANONYMITY. HE TURNED OVER COOPER'S NOTES BECAUSE, HE SAYS, KARL ROVE NEVER ASKED TO BE A CONFIDENTIAL SOURCE – REQUESTING ONLY BACKGROUND STATUS.

RATHER (ON CAMERA)

BUT MANY OF PEARLSTINE'S COLLEAGUES THINK HIS DISTINCTION BETWEEN ANONYMOUS SOURCES AND CONFIDENTIAL SOURCES IS A CONVENIENT EXCUSE FOR HIS ACTIONS, AND THAT HE'S STILL SPLITTING HAIRS OVER A CENTRAL PILLAR OF JOURNALISM. PEARLSTINE THINKS THESE DISTINCTIONS ARE REAL AND IMPORTANT.

NORMAN PEARLSTINE:

Well, anonymity means I'm gonna keep your name out-- out of the broadcast or out of the paper. And, in fact, if somebody tries to get it, we'll resist it.

RATHER (VOICE OVER)

BUT, PEARLSTINE SAYS, IF IT COMES DOWN TO IT AND LEGAL REMEDIES ARE EXHAUSTED, THE ANONYMOUS, NON-CONFIDENTIAL SOURCE UNDERSTANDS THAT HIS NAME MAY COME OUT IN COURT.

PEARLSTINE

Confidentiality is really a contract between you and your source and really your publication and the source in which you say, you know, no matter what, this information is so important-- we're gonna protect this person no matter what the courts do. And, you know, my instinct as a journalist, we ought to be willing to do that. One of the things I learned is that I think we have to be really careful about when it's worth granting that. And we have to be really clear about what we can protect.

RATHER

In the book you've written that a publication should, quote, litigate vigorously to protect its sources, even those that aren't granted--

PEARLSTINE

Correct.

RATHER

--Confidentiality.

PEARLSTINE

If I grant you anonymity-- and the first time somebody sends me a subpoena I say, "Well, okay, we're no longer anonymous here. Be my guest, have a information," then even the anonymity you're not really granting. I mean, to say, well, I'm-- I'm not gonna put it in the paper but anytime we get sued-- I'm gonna burn you, I think is not good journalism. And I don't think it's ethical or appropriate.

RATHER (ON CAMERA)

PEARLSTINE SAYS HE THINKS THE ANSWER TO ALL THIS AMBIGUITY IS A FEDERAL SHIELD LAW. SHIELD LAWS PROTECT REPORTERS' ANONYMOUS SOURCES BY LIMITING THE TESTIMONY JUDGES CAN REQUIRE OF JOURNALISTS. SIMILAR LAWS EXIST IN 49 STATES, BUT COVER ONLY STATE COURTS. THERE'VE BEEN MANY EFFORTS IN CONGRESS TO PASS A FEDERAL SHIELD LAW, BUT ALL HAVE BEEN UNSUCCESSFUL.

RATHER

What about those who say, wait a minute, journalists want a shield law? They wanna be in a special category? Why should journalists be, quote, above the law?

PEARLSTINE

Well, there a whole bunch of people who get protections. We allow-- therapists to have the ability to keep information confidential about their patients. We allow clergy to keep information confidential about penitents. We have lawyer-client privileges.

DAN RATHER

What are the chances of a federal shield law co-- actually becomes law?

NORMAN PEARLSTINE

Not under this administration.

DAN RATHER

And why would the justice department and the high-ranking members of the administration oppose it?

NORMAN PEARLSTINE

It takes away some power that they've got of their own at this point. The prior attorney general, Mr. Gonzales-- he liked the idea of being able to go after journalists for all kinds of things.

RATHER (VOICE OVER)

BUT IN THE AGE OF INTERNET NEWS AND BLOGS, ANY SHIELD LAW WILL HAVE TO ADDRESS NEW CONCERNS.

PEARLSTINE

You know, we now have 70 million bloggers. Are they journalists? I think in many cases they are. You know, the First Amendment wasn't passed for big multimedia companies. It was passed for the so-called lonely pamphleteer. And the functional equivalent to that today to me is the blogger in pajamas.

RATHER

I think it's so important that the public, the consumers of news, understand: there's no journalists' creed that gives a definition of what's on the record--

PEARLSTINE

Absolutely not.

RATHER

--Background, deep background-- off the record. That it's a personal decision by the journalist and/or his organization, which may have set rules about these things. To you, when you tell somebody, "okay i'll keep it off the record," "off the record" means what?

NORMAN PEARLSTINE

Okay. There's no consensus within news organizations about these things. But the generally accepted-- definitions are that off the record really means you can't use this information at all. So when somebody says to me, "Can we go off the record?" I usually say, "Do you really mean off the record?" Off the record means you're gonna tell me something I can't use. Or do you mean something else? Now what is usually meant is either background or not for attribution, don't use my name in the paper. You say well can I do something to help my reader understand, can I say a-- Congressional Hill aide or

something?" And quite often people will agree with that. So that would be background or not for attribution. When you're a reporter and you are on the phone with a source. And the source says something like "well I'll give you this information are you gonna protect me?" You probably think it may actually chill the interview if you suddenly wanna have that discussion. I would say that with more sophisticated sources-- and no one was more sophisticated than a Karl Rove-- it is appropriate to stop there and say, "Let's discuss the ground rules." You don't ask it on every interview. If you're talking to Britney Spears's hairdresser, chances are you don't have to have that negotiation at the time-- you're-- you're interviewing her. But in this very tricky area, especially of stories about national security, especially stories where you're getting information that's in the public interest and somebody's really putting their own reputation, livelihood at risk, I think you owe it to the source to have that discussion. I don't think you can unilaterally decide I'm gonna make you a confidential source. I think that's something you and I have to agree to.

RATHER (ON CAMERA)

FORMER TIME MAGAZINE EDITOR AND CHIEF NORMAN PEARLSTINE. NOW FINALLY TONIGHT...POLITICS. WE'VE BEEN FOLLOWING THE PRESIDENTIAL PRIMARIES ACROSS THE COUNTRY THE LAST FEW MONTHS. AND ONE OF THE THINGS WE'VE NOTICED FROM STATE TO STATE IS THE RENEWED INTEREST IN THE POLITICAL PROCESS...AND THAT'S ESPECIALLY TRUE IN TEXAS, WHERE THE DEMOCRATS HAVE LONG PLAYED SECOND FIDDLE TO A VERY POWERFUL AND EFFECTIVE REPUBLICAN PARTY. BUT IN EARLY VOTING FOR THIS YEARS PRIMARY, DEMOCRATS ARE VOTING IN DROVES. REPORTERS WHO FOLLOW IT AND POLITICAL SCIENTISTS WHO STUDY IT SAY THEY'VE NEVER SEEN ANYTHING LIKE IT.

Lone Star Campaign:

HILLARY SUPPORTERS

"Hillary! Texas! Hillary! Win!"

OBAMA SUPPORTERS

"Yes we can, yes we can!"

JOHN HERNANDEZ (HILLARY SUPPORTER)

As a Republican, I want Hillary!

LARRY WILLIAMS (OBAMA SUPPORTER)

Obama, baby, Obama!

RATHER (VOICE OVER)

AND, THEY'RE NOT JUST CHANTING AND HOLDING RALLIES. DEMOCRATS IN TEXAS OR VOTERS WHO ARE CASTING BALLOTS ON THE DEMOCRATIC SIDE ON THE STATE'S NON-BINDING PRIMARY ARE PUTTING UP SOME BIG NUMBERS.

OBAMA VOLUNTEER

Vote for Obama, today, primaries!

RATHER (VOICE OVER)

Forget for the moment that Texas has been Bush country, the reddest of the Red states.

JIM HIGHTOWER

Well, Texas may be considered a Red state from outside, but we consider ourselves pretty much, uh, purple here ...

RATHER (VOICE OVER)

JIM HIGHTOWER IS A DIE-HARD DEMOCRAT AND FORMER STATE OFFICE HOLDER. FORMER BEING THE STATUS OF LOTS OF DEMOCRATIC POLITICIANS HERE. BUT HE SAYS THE RACE BETWEEN CANDIDATES CLINTON AND OBAMA MAY CHANGE ALL THAT.

HIGHTOWER

Well, I think they're perfect-- for Texas because there's such passion behind 'em. You know we're a state that-- that-- that loves hot. You know we-- we have hot weather. We have hot-- love affairs. (LAUGHS) We-- we're just hotter than high school love when it comes to politics.

RATHER (VOICE OVER)

AND IT HASN'T BEEN THIS HOT, AT LEAST IN POLITICS, IN THE LAST 20 YEARS. HIGHTOWER AND HIS PARTY IN TEXAS HAVE BEEN ON THE SIDELINES FOR A LONG TIME. 1988 WAS THE LAST TIME A TEXAS PRIMARY MATTERED ON THE NATIONAL SCENE. MICHAEL DUKAKIS WON IT THAT YEAR AND DEMOCRATS IN TEXAS FOR PURPOSES OF PRIMARIES

HAVEN'T BEEN HEARD FROM SINCE... THAT IS UNTIL THIS YEAR AND THIS ELECTION. WITH PUBLIC OPINION POLLS SO CLOSE... AND DELEGATE COUNT ESTIMATES SO EVEN... PERHAPS FORMER PRESIDENT CLINTON— STUMPING FOR HIS WIFE IN AUSTIN— SAID IT BEST:

PRESIDENT BILL CLINTON

“This whole election – this whole long, amazing election has come down to what happens in Texas and Ohio. If you deliver Texas for her, and she if goes to that convention with the most votes, I believe she'll be the nominee and the next president of the United States. It's all up to you!” (cheers)

RATHER (VOICE OVER)

THE CLINTON CAMPAIGN RALLIES ... BOTH FOR THE FORMER PRESIDENT AND THE CURRENT CANDIDATE— HAVE DRAWN MANY THOUSANDS. AND ON A CHILLY FRIDAY NIGHT IN DOWNTOWN AUSTIN— THE CROWD FOR BARACK OBAMA STRETCHED FOR BLOCKS. THE INTEREST HAS TRANSLATED INTO MORE THAN HALF A MILLION NEW VOTERS SIGNING UP – A BIG MARGIN OVER 2004. DAVE MC NEELY IS A LONGTIME POLITICAL REPORTER AND COLUMNIST IN AUSTIN.

DAVE MCNEELY:

It's almost a negatively fueled excitement. There's been so much frustration with the-- Iraq war, with the economy-- flippin' around like a-- like a fish on a deck, and with George W. Bush in general, that even in Texas I think-- there is an excitement for change.

RATHER (VOICE OVER)

JUST LOOK AT THE NUMBERS. FOR THE REPUBLICANS IN HARRIS COUNTY, WHICH IS THE HOUSTON AREA, EARLY VOTING IS UP FOUR TIMES OVER 2004. IN DALLAS... IT'S SIX TIMES HIGHER. BUT HERE'S WHY THE DEMOCRATS ARE SO WIDE-EYED... LOOK AT THIS: FOR HOUSTON... WHAT A DIFFERENCE FOUR YEARS MAKES. THIS IS THE FIRST THREE DAYS OF EARLY VOTING... IN 2004 ONLY ABOUT 2400 DEMOCRATS CAST BALLOTS IN THE HOUSTON AREA. THIS YEAR MORE THAN 26- THOUSAND VOTED. IN DALLAS MUCH THE SAME STORY. AND IN COLLIN COUNTY... A WEALTHY AND GENERALLY VERY REPUBLICAN SUBURB OF DALLAS... THE NUMBERS FOR DEMOCRATS ARE WAY ABOVE THE NORM...

HIGHTOWER

I see an energy, an enthusiasm, a sense of the possible-- that I haven't seen in Texas-- probably 15, 20 years or so. That-- people-- I think we'll have a massive turnout.

RATHER (VOICE OVER)

IN JUST THE LAST FEW WEEKS AS THE DEMOCRATIC RACE STAYED TIGHT, BOTH DEMOCRATIC CAMPAIGNS HAVE SIGNED UP TENS OF THOUSANDS OF VOLUNTEERS. IF YOU DON'T THINK THERE IS REAL, RENEWED INTEREST, CHECK OUT THIS CROWD EARLY ON A SATURDAY MORNING AT THE OBAMA CAMPAIGN HEADQUARTERS IN AUSTIN.

RONNIE

I wanna help out. What do I do?

QUINN OBAMA CAMPAIGN VOLUNTEER

You can become a precinct captain, Ronnie. It's easy. It is easy, easy, easy to be a precinct captain and talk to voters. We have a blueprint for change. It's a booklet with all of our policies... That's also available on our website at BarackObama.com.

RATHER (VOICE OVER)

THE OBAMA CAMPAIGN SAYS IT HAS SIGNED UP MORE THAN 45-THOUSAND VOLUNTEERS ACROSS TEXAS. THIS IS VERY MUCH AN OLD-TIME GRASSROOTS EFFORT.

HIGHTOWER

Yes, it's-- it's astonishing. And those are volunteers who will work. And the-- Obama campaign has been effective at-- at giving them training. So you just don't have-- thousands and thousands of volunteers, but you have people who actually know what they're supposed to do (LAUGHS) on election day. And then go out-- and do it. And that is-- it's a new kind of politics that's-- that's taking place.

MAYOR CORY BOOKER

We're going to show them that this state will stand up, that we're fired up and that we're ready to go to the polls and win! We are going to show them that we believe that we have the courage that we have the answers, and the true answer for the United States of America for our future is President Barack Obama! (crowd cheers)

RATHER (VOICE OVER)

NEWARK NEW JERSEY MAYOR CORY BOOKER WAS BROUGHT IN BY THE OBAMA CAMPAIGN TO CANVAS NEIGHBORHOODS IN AUSTIN AND DRUM UP SUPPORT.

BOOKER

I'm hoping you're going to come out and vote on March 4th for Mr. Obama.

VOTER

I couldn't do nothing else.

BOOKER

You're making me a happy man. Thank you very much.

RATHER (VOICE OVER)

ACROSS TOWN AT THE CLINTON TEXAS CAMPAIGN HEADQUARTERS, STATE CHAIRMAN GARY MAURO SAYS HE IS ALSO KNEE DEEP IN VOLUNTEERS.

GARY MAURO

Well, we have in our base, 41 thousand Texans who have sent money and offered to volunteer for the Hillary Clinton for President Campaign and then we have thousands of people calling on the phone. It's kind of overwhelming.

YOUNG VOLUNTEER

So, are you thinking of voting for Hillary Clinton this year?

RATHER (VOICE OVER)

HILLARY CLINTON NOT ONLY NEEDS TO WIN TEXAS, BUT WIN IT FAIRLY BIG....IN ORDER TO GET A LARGE NUMBER OF THE STATES 228 DEMOCRATIC DELEGATES. TO DO THAT SHE MUST GET THE HISPANIC OR LATINO VOTE. THE CLINTONS HAVE DEEP ROOTS IN TEXAS. HILLARY CLINTON FIRST CAME HERE IN THE EARLY 1970'S TO REGISTER HISPANIC

VOTERS FOR GEORGE MCGOVERN. SHE'S BEEN ENDORSED BY MANY OF THE STATES LEADING LATINO POLITICIANS. GONZALO BARRIENTOS IS A STATE SENATOR FROM AUSTIN.

SENATOR GONZALO BARRIENTOS

We know Hillary Clinton. We are loyal! La raza de nosotros tienen el respeto con Hillary Clinton. (crowd cheers)

OBAMA TV COMMERCIAL "COMO PADRE"

RATHER (VOICE OVER)

EVERY CAMPAIGN IS COURTING HISPANICS, WHO WILL--ACCORDING TO POPULATION EXPERTS-- OUTNUMBER WHITES IN TEXAS IN THE NEXT FEW YEARS.

MC NEELY

People think that Texas is a red state, but I think that there's a good chance that it's-- it's moving back in a blue direction. Part of it has to do with the growth of Hispanics-- in the-- voters. That Hispanics tend to vote Democratic by a margin of about three to one. And so as there are more Hispanics, if that pattern holds up, then there will be-- more Democrats.

RATHER (VOICE OVER)

ADD TO THE MIX A DRAMATIC RISE IN THE REGISTRATION OF YOUNG VOTERS. AT THE UNIVERSITY OF TEXAS, 23-THOUSAND STUDENTS WERE REGISTERED TO VOTE IN RECENT WEEKS...NUMBERS NOT SEEN SINCE 18-YEAR-OLDS WERE FIRST ALLOWED TO VOTE IN 1972.

ANDY JONES

It is unbelievable to have both the debate and Texas deciding the primary. This is just fantastic just to be a Democrat, just to be a voter, just to be part of this whole process.

LAURA HERNANDEZ

Granted, I'm 22 years old, so this is only my second general election, but I guarantee that I'm way more involved in this election, and I know it's because of the energy and the spirit and, you know, "year of the youth vote." It's definitely because of that. I'm involved because this is a moment in history that we all have to be a part of.

RATHER (VOICE OVER)

AND YOU CAN ADD ANOTHER WILDCARD TO THE MIX. MORE THAN 200-THOUSAND HURRICANE KATRINA REFUGEES ARE LIVING IN THE LONE STAR STATE NOW...MANY IN THE HOUSTON AREA. EVEN THOUGH NO ONE HAS CALCULATED HOW MANY HURRICANE REFUGEES HAVE REGISTERED, THEIRS IS A PREDOMINANTLY AFRICAN-AMERICAN POPULATION THAT HAS VOTED FOR DEMOCRATS IN THE PAST. ADD IT ALL UP, AND IT MAY MEAN NOTHING COME NOVEMBER. TEXAS IS STILL REPUBLICAN COUNTRY.

HIGHTOWER

I-- I think that three Republican-- candidates-- will pretty much go the way it's been going nationally. McCain is not only the clear frontrunner be he's now-- being hugged up by-- by-- Daddy Bush (LAUGHS)-- and Jeb too. So you got the Bush imprimatur. That presumably will help him in the-- in the Republican primary. I don't think it will in the general election, but-- presumably will in the primary. Huckabee-- will-- you know we have a strong Evangelical force in the state. But you gotta understand, Evangelicals are not lockstep anymore. They're not just-- on-- gay marriage and-- and on abortion. They have a much broader agenda about poverty. About-- environmentalism. They don't call it that. They call it creation care, but who the hell cares what they call it. They-- they're on the right track there.

RATHER (VOICE OVER)

AND THE DEMOCRATS, DEEP IN HIBERNATION FOR YEARS, ARE COMING OUT SWINGING AGAINST A PRESIDENT WHOSE POPULARITY NUMBERS ARE LOW IN HIS HOME STATE...—EVEN CALLING INTO QUESTION HIS “TEXAN-NESS”.

HILLARY SUPPORTER

We might also add that his ranch up there is all hat and no cattle. He's never had a piece of livestock in that ranch. He occasionally goes up there with a chainsaw that he doesn't know how to crank it. Cuts a little brush down and burns it, and claims he's a West Texas rancher.

HILLARY SUPPORTER

President of Mexico says he's afraid of horses, that he was visibly afraid of horses. (chuckles) He's a hell of a cowboy, isn't he? (laughs)

RATHER (VOICE OVER)

IT ADDS UP TO A POTENTIALLY CLOSE RACE COME NOVEMBER IN A STATE THAT LAST WENT FOR THE DEMOCRATS IN 1976 WITH JIMMY CARTER. BUT DON'T COUNT ON ANYTHING--OR ANYONE AS A SAFE BET IN TEXAS POLITICS.

HILLARY SUPPORTER SINGING

You better get out of the way Obama. Hillary Clinton is coming right now.

HIGHTOWER

That spirit has always been in Texas. Indeed, the term maverick comes from Texas. The Maverick family-- a guy named Sam Maverick-- had some cattle which he refused to brand. And so if you're out on the-- on the-- prairie and-- there were some cattle without a brand, that was a Maverick. That's pretty much the spirit of the people here. We are mavericks and mutts. And don't like to march to anybody's-- particular tune. Kind of like to call our own. And anybody who appeals to that spirit is gonna do well in Texas.

RATHER (ON CAMERA)

AND THAT'S OUR REPORT FOR TONIGHT, THANK YOU FOR JOINING US. FOR HDNET, DAN RATHER REPORTING, GOOD NIGHT.