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GUESTS: Christopher Horner, David Hamilton

BYLINE: Kathleen Hays, JJ Ramberg, Regina Lewis, Allan Chernoff

BODY:

KATHLEEN HAYS, CNNfn ANCHOR, THE FLIPSIDE: Welcome to THE FLIPSIDE. I'm Kathleen Hays. Joining me are JJ Ramberg and Regina Lewis.

We're going to look today at oil, energy, the administration's energy policy, and what John Kerry and John Edwards are proposing. I mean this is one of those stories that just doesn't go away, \$44 a barrel for oil. What are you guys going to do for us?

JJ RAMBERG, CNNfn ANCHOR, THE FLIPSIDE: Yes. There has been a policy or something in the senate right now that's been stalled. Bush says go ahead and vote for it. Kerry is keeping it stalled.

REGINA LEWIS, CNNfn ANCHOR, THE FLIPSIDE: Big issue. We're also going to take a look at bankruptcy. Including some of the top culprits, like an unstable job market, and some preventative and corrective strategies.

RAMBERG: The thing about bankruptcy too, and we were talking about this, it's not just young kids ringing up credit card debt anymore. It's a lot of older people too.

HAYS: People with medical costs, and shaky jobs and, -- the bill that's been -- that is on the burner in congress that would make it impossible almost for many people to erase their debts in bankruptcy, which would mean you'd be like a slave then to the banks for the rest of your life. We want to look at that as well.

RAMBERG: Also, it's almost back to school season now in October. Particularly for kids going to college, they get to school a little bit earlier. We'll have the executive editor from "PC" magazine on today to say what kind of computer we should get? Laptop, notebook, answer all of our questions about buying computers.

LEWIS: There is a tendency to overbuy. I think we'll drill down on that cost value equation, and where to draw the line.

HAYS: I'm very pleased to learn one that I first saw, maybe even someplace like Sam's Club, I can't remember, I'll save the name. This is what you call a tease, folks, in television. Don't let you know right away. One of the least -- they rate it highly in the under \$1,000 category for notebooks.

LEWIS: I saw that.

HAYS: That's a good price. OK. Well there's a lot more coming up on the show. Alan Greenspan and company will be on the hot seat tomorrow when Fed policymakers meet. Despite a far weaker than expected jobs report last Friday, some analysts still believe that that is on track to raise interest rates again.

Plus, corporate sponsors are bypassing the Athens Olympics and gearing up for the Beijing games in 2008. So what will the lack of revenue sponsorship do to Greece, and what makes Beijing so attractive? We'll talk to former Olympian Bridget Finn.

And yes, Greece will field a baseball team when the Olympic Games begin later this week. But this is a team made up of an unlikely group, Americans. Larry Smith will explain.

If you have a question or comment about any of these stories, or anything on the show, give us a call or send an e-mail. We have a lot of topics from oil, to computers to bankruptcy. Phone number is 1-800-304-3638. The e-mail is theflipside@cnn.com. And you help make the show what it is, so don't be shy. Get ready to dial and e-mail.

The state of the economy is likely to be on voters minds, especially as the Presidential election draws ever closer. Right now, with oil prices hovering at \$44 a barrel, people continue to spend more money at the pump; they won't have as much to spend elsewhere. Here to tell us more what that means is Allan Chernoff. Allan.

ALLAN CHERNOFF, CNNfn SENIOR CORRESPONDENT, THE FLIPSIDE:
Kathleen, that really can have some major political implications. In fact, only a few blocks away from the upcoming Republican National Convention, gasoline pumps, people getting very upset. And there is rising anger towards President Bush.

(BEGIN VIDEO CLIP)

UNIDENTIFIED MALE: If they go any higher, he'll definitely lose, I believe. Gas prices are ridiculous right now. Ridiculous.

UNIDENTIFIED MALE: Everyone is already spread thin now. Cost of living is so high especially in New York that if it gets any higher it's going to become a major problem. For people just to live day-to-day with their paychecks.

(END VIDEO CLIP)

CHERNOFF: Money for gas, as Kathleen said, means less cash available for other items. Already this summer consumers have been pulling back. Companies are hiring less and economic growth is slowing. In large part, it is all tied to the soaring price for oil.

Who is driving it up? Speculators who trade oil at the New York Mercantile Exchange. There is an old saying in the commodity markets; the trend is your friend. Since the trend has been up, commodity gamblers have been jumping on board trying to cash in, which sends prices even higher.

(BEGIN VIDEO CLIP)

PETER BEUTEL, OIL ANALYST: We've seen lot of investment money come into this market, a lot of speculative investment money, trading funds, have been coming, and pushing these prices higher. They've been a huge factor in pushing oil prices to the levels that we're seeing right now.

(END VIDEO CLIP)

CHERNOFF: Short supply is supposed to be the driving force. But fact is, there is no shortage in the U.S. Inventories right now are 5 percent higher than this time last year. If speculators keep pushing oil higher, it could in fact give John Kerry an important boost. Conversely, if the volatile oil market does an about-face, and traders begin pushing prices down, that could help President Bush, get reelected. Ladies?

HAYS: Well, there is a lot of push behind this. I think one of the problems is there are so many factors in the oil market politicians doesn't control. They don't control the fact China's demand is increasing by leaps and bound, that Russia's oil giant YUKOS (Company: OAO NK YUKOS; Ticker: (Russian) YUKO; URL: <http://www.yukos.com/>) is under such pressure from the Russian government.

They're the company, Russia; the country generally is the one satisfying that Chinese oil. There is a lot of forces that push this price around. I don't know, what can politicians really do?

CHERNOFF: Politicians can't do all that much. But certainly, the speculators, as we're pointing out, play a critical role here in really -- it's really a matter of how these issues are perceived. The Chinese having a dig demand, that's been a growing situation for quite sometime. It's not some new surprise.

The YUKOS situation, fact is that has not actually impacted oil supplies. It certainly has no impact on oil supplies here in the U.S. YUKOS sends zero oil to the United States.

RAMBERG: What in fact do you think are going to bring oil prices down?

CHERNOFF: Are they coming down? That's big news.

RAMBERG: No, no. What could bring them down in if fact the things that are happening that are driving them up don't really affect us, what could bring them down?

CHERNOFF: Right. I think what's really needed here is a change in psychology in the marketplace for a lot of the traders to begin to believe. And they do, I think, in the back of their minds -- the prices are out of line. They are not really in line at all with the fundamentals of supply and demand.

Now the amount of a premium there really varies. I mean a year ago, people were talking about a war premium, a terror premium. Well, I mean things have changed a little bit in that regard, but the prices are even higher than they were last year. So a lot of it has to do with the psychology in the market. And also, this entire speculation that we're seeing, this speculative frenzy we're seeing in the market.

LEWIS: Allan, do you think that's why both candidates, the President, and John Kerry seem to be hedging a little bit? All of their energy proposals have dates like 2020 in it. You know, 15 years out. Is that because short-term they can't do anything?

CHERNOFF: Yes, that's a very good point. The only thing that's been talked about short-term is adjusting the amount of oil put into the strategic petroleum reserve. We all know that in terms of the supply and demand, that really is not a lot of oil. But it possibly could change the short-term psychology of the market. That's all.

HAYS: And of course the president (INAUDIBLE), but to under score your point, I know traders have told me once this thing breaks, it could fall very sharply.

CHERNOFF: Because you certainly have speculators involved, and they've been profiting on the up side, they'd love to do the same on the other end.

HAYS: That's right. OK Allan Chernoff thanks so much for helping us set the stage this morning. We appreciate it.

Now we're going to look at each candidate's energy plan. Senator John Kerry said last Friday he would cut America's dependence on foreign oil by increasing conservation and creating clean renewable sources of energy.

President Bush's plan calls for more exploration and more energy research. He also favors nuclear energy. Whose plan would help the economy most? Joining us to debate, the issue are David Hamilton, director of Sierra Club's global warming and energy program. The Sierra Club has in fact endorsed Kerry for president already. And Christopher Horner, a senior fellow at the **Competitive Enterprise Institute**. We welcome you both to the show.

I guess, Christopher, let's start with you. We know that David's group has endorsed John Kerry. Let's find out where you stand on the politics of this. As Allan Chernoff pointed out, the president has said many times, just pass my plan, everything will be fine. Do you favor Bush's plan, and if so, why?

CHRISTOPHER HORNER, SENIOR FELLOW, COMPETITIVE ENTERPRISE INSTITUTE: First, we don't t into the politics. CEI is a non-profit think tank, so of course we don't get that. But the policies, of course, are very distinct. I'd have to say we'd support President Bush's. We don't fully support it. It is still very heavy on subsidizing industries, including failed (ph) industries. More of the renewables, we're pumping an enormous amount of money into those.

Still, despite the fact, they account for about 2 percent of our energy supply if he continues to subsidize everything. But he focuses on production. John Kerry's plan focuses on conservation which is akin to telling a starving person they need to consider dieting.

What you're talking about is imposing artificial scarcity on as Allan pointed out, otherwise abundant resources, which means further increased prices. His voting record reflects that. That's frightening. We remember the Carter policies that these are akin to, which is at stay home, sit in the dark, and put on a sweater.

RAMBERG: David, why don't do you respond to that? If in fact we need production, how is conservation going to help us at this point? Maybe it's good in the long-term. But right now, if we need more resources, how are we going to get them by just conserving?

DAVID HAMILTON, DIR., ENERGY PROGRAM, SIERRA CLUB: There is a basic equation at work here, which is we use 25 percent of the world's oil. We have 3 percent of the world's reserves. And we need to figure -- and demand is rising. So there is no other answer, but to have increased imports over time.

In 1975, we passed fuel economy standards that significantly reduced demand, kept prices low through the '80s and through OPEC into disarray for almost a decade. That has been what has worked. We don't have the oil to satisfy our demand. We need to focus on solving the problem, which is either maintaining our dependence on imports, and being a slave to economic developments out of our control for the foreseeable future, or to come up with other answers. One of those answers is reducing demand by making our cars cleaner and more efficient.

LEWIS: David, question for you. Everybody I think gets the conservation play. I think Christopher says you even want windmills in our backyard. How are you going to compete short-term?

HAMILTON: I mean the problem here is that people bundle issues together. You have to separate oil and transportation from electricity. And most renewables, wind, solar, make electricity. They don't make auto fuel.

So in the short-term, I think some of the subsidies that have existed for wind have made it competitive with gas and coal. I think the rest of the subsidy structure is slanted vastly toward oil, coal, and natural gas.

RAMBERG: Chris, you're shaking your head. Why?

HORNER: If I could jump in. The Wind Energy Association issued a press release once the wind tax credit -- the production tax credit expired saying all projects were put on hold. That's a sign economists, that it's not competitive. They have been saying it can be competitive without subsidized just around the corner for 25 years.

Even the Europeans are saying enough is enough. Look at their economic stagnation, 10-plus percent unemployment. It's not going to happen forcing people to conserve their way out of scarcity. It is artificial scarcity. There is another answer other than importing, and I can't believe what David just said.

We have enormous known reserves. The world proven reserves are at record highs. But the U.S. has enormous known reserves that we are continually sequentially locking up from ANWAR to the clean coal in Utah, every clean fossil source, and we do burn it cleanly now, is being locked up because the idea -- remember, this is like me telling my wife, OK we're going to stop cooking at home. By the way, we have to stop going out as well.

Do you get what I'm getting at? You have to stop eating. You can't conserve your way -- a growing economy can't conserve its way out of scarcity.

(CROSSTALK)

HAMILTON: You can't (INAUDIBLE) out of it either.

HORNER: Well actually you can. Because remember, we've got our largest proven strike ever that you insist cannot be developed. It's a frozen mosquito ridden -- when it's not frozen -- tundra. We've proven up in Alaska that it doesn't harm wild life. This is an anti-energy proposal. It's an energy suppression proposal. You need to produce -- you can't diet your way out of famine. Enough is enough.

HAYS: David, take us to the next step on this. Christopher obviously is passionate about this, and he's marshaled some good arguments. So what's the response?

HAMILTON: Look, if you've got 3 percent of the world's reserves, and you know you're going to need 25 percent this year, do you focus on selling your heirlooms, your grandmother's wedding ring, things that cannot be replaced like the Arctic Wildlife Refuge? Or do you figure out how to solve the problem? We're going to need a heck of a lot more oil than we can produce.

HORNER: One hundred they made that very same argument about whale oil so our grandchildren would have it to use. Guess what? Man is very innovative. We don't need to conserve the oil .

(CROSSTALK)

HAMILTON: Keep finding more and more ways to expand our .

HAYS: Real quick I want to just remind our viewers, are you sitting at home? You're yelling at TV set? Give us a call. Give us your views because, this is a fun debate. We want to hear what you have to think.

RAMBERG: Christopher, both sides of this issue both say conservation is something we should be working towards, whether you drill and find more oil or not. Everyone thinks that. Is there in some sense an idea that if we start drilling for more oil, people will stop paying attention to conservation, and everyone believes that conservation is a good thing? Maybe we need a little fire under us.

HORNER: Remember, oil prices adjusted for inflation are not at record highs. I'm getting tired of hearing this. They were at \$90 in the early '80s. OK? And they were much higher per gallon adjusted for inflation. Historically, however, the price of gasoline is going down. What's happening to our he efficiency? It's been going up. We are at record efficiency.

In fact, the matter is every business; their energy line item is one of the largest. If they can conserve there, they become more profitable. It's one of the reasons we're becoming more efficient. Forcing people to stay into older vehicles because you're putting them otherwise into smaller less safe vehicles, as the Kerry plan would do, does anybody remember the family station wagon? They chased it out of existence with these cafe standards. So we moved it to a light truck platform.

Now we're trying to chase that out of existence. What's wrong with this plan? It doesn't work. We have resources. We could use them. We're getting more efficient. Even though the price is going down, which is a sign that you're not running out. The Bush plan, as much as I don't like to subsidize, at least focuses on production, and we've got to stop trying to suppress energy use.

LEWIS: But, Chris and David go ahead and jump in. You can't be against better gas efficiency for vehicles. Right? I mean --

HAMILTON: Can I get --

HORNER: Look, we have better gas efficiency OK? We increased our gas efficiency 30 percent I think from the '70s, and the price of gasoline still went out.

LEWIS: OK. But think in your head. David?

HORNER: The automakers have said they can't go from 26 to 36 miles per gallon as Kerry proposed. The Democratic Michigan senators have blocked it.

LEWIS: They can get to 40.

HAMILTON: What you're saying is just wrong, Chris.

HORNER: Actually, no that's not true. Those are facts.

HAMILTON: Vehicle fuel efficiency has been falling since the early 90s with the advent of more sport utility vehicles and light trucks. We are getting less cars. We have been getting less efficient for a decade. Consumption is rising. Vehicle miles traveled by each car is rising. You're not getting more efficient. We have done nothing to get more efficient for the past ten years.

HORNER: How can you say that? Demand goes up and price goes down. I'm going to refer you to econ101. That's not happening.

HAMILTON: Chris, that's how it happens with the market and you know it. Come on! Get real.

HORNER: I've been alive for the past 40 years. I've have seen the prices go down despite all of the burdens we're putting on auto manufacturers that actually we could probably have more efficient vehicles without making them less safe. And I want to point out these hybrids --

HAMILTON: We haven't been making the automakers do anything.

HORNER: Bush and Kerry are both subsidizing these hybrid vehicles I think exorbitantly. But you know why there are lines? Markets tend to satisfy what people want. And provide them. The reason there are lines for these is because the automakers lose money on them.

HAMILTON: No. No. No.

HORNER: Yes. Yes. Yes. Name another product that there are lines that the market won't satisfy.

HAYS: Let's face this though. We have global demand growing. Our global demand is increasing in every year. The Chinese are demanding more. So we're not your -- adjust for inflation, true, we're not at record highs. But the point is that we could get there and surpass them.

What I want to ask you quickly though David, is what about the idea that as the price goes up, like these other kinds of things become feasible like getting the oil out of sand, if

I may put it very simply, that they're doing up in Canada. Some other kind of deep drilling they're doing. Do you think that is a good idea? Or does the Sierra Club feel again that this is just --

HAMILTON: I think we need to do what we know how to do first, which is to put better technology in cars to significantly raise fuel economy. Last week, Ford (Company: Ford Motor Company ; Ticker: F ; URL: <http://www.ford.com/>) just rolled out their hybrid SUV, the Escape. It gets 75 percent better mileage than the non-hybrid alternative. We have the technology. What we don't have is the will to get the auto industry to make cleaner cars.

HORNER: You just said they are making --

HAYS: Chris, let David finish please.

HAMILTON: That's what we need to do.

HORNER: You just said the market is working; we better step in and mess with it. That's doesn't make sense.

HAMILTON: They're making 20,000 hybrid Escapes. Which is a good step, but it's not going to really satisfy it.

HORNER: This is a national industrial plan. It is not an energy plan. And that is not what we need. We're not going to leave the fossil fuel age because we ran out of fossil fuels any more than we left the Stone Age because we ran out of stone.

HAYS: Christopher Horner, I thank you very much. David, I just want you to finish your thought before we go. Your final thought briefly.

HAMILTON: Basically, we have to look towards solving the problem and stop just trying to put patches on it and drill more oil. Our energy system is unsustainable, and at least the Kerry plan takes some serious first steps towards solving the problem.

HAYS: David Hamilton, thank you very much. Christopher Horner, thank you as well. We love a spirited debate. We hope you enjoyed it as much as we did.

Coming up next on THE FLIPSIDE, call it the Ralph Nader effect. How one city is taking steps to eliminate so-called spoilers in an election. Is this good, for bad for Democracy? We'll have out "Two Cents" on that, and a lot more coming up next.

(COMMERCIAL BREAK)

HAYS: Time for our "Two Cents". If you're not far enough from the energy debate, the oil debate, we're going to continue. This is the time of the program where we get to talk about something that's on our minds that's really got us going.

RAMBERG: This is voting season. Soon, as we all know. San Francisco is taking a little bit of a different tack for voting in their city elections. What they are going to do is have you vote for first, second and third choice. And then it gets rid of spoilers. Because the third person who comes third in the race, all of the people who voted for that person, their votes will go to the person who they put as second.

So let's just say one, two, three, you're voting for us three. I vote for Kathleen first, JJ second, Regina third. Kathleen, you only got 2 percent of the vote. You're out. So my vote then goes to me because I put me as second. Does it make sense to you guys?

LEWIS: It's like getting into the college classes you want. Right? It's like going to summer camp. Saying if I can't get in soccer, I'll take fencing.

RAMBERG: Exactly. It gets rid of spoilers. I think it's a fabulous idea because it still allows you to vote for the person you really want to vote for, without thinking that you may be taking your vote away from someone else.

HAYS: Interesting.

LEWIS: And actually would let, I mean you call them spoilers, but it would let some of those activists actually influence the debate maybe more, because now you don't feel like you're making that decision on the way, or am I throwing my vote away? Because you are not.

RAMBERG: Exactly. I think it's a fabulous idea.

HAYS: It would encourage people to be the Libertarian or Green candidate and not -- yes.

LEWIS: Maybe they'll make the more thing more issue oriented. My "Two Cents" is about something called big box. In this country when you say big box, you tend to think of a big cement box like Wal-Mart flanked by a McDonald's. In other parts of the world, different connotation, different scale and different material.

Actually steel 20-foot cargo boxes, 1.4 million of them ship in and out of South Africa every year alone. Mostly in because they're with finished goods and they can't ship them out. The economics are such that they tend to either resell them, or give them away. The net effect is a complete ubiquitous architecture of steel boxes that have turned into beauty salons, schools, homes, I mean pretty resourceful.

But also perhaps a useful reminder that how we define poverty in this country so relative to other parts of the world, and to even to our own domestic standards pre-World War II. Very interesting to see something that little can affect the entire landscape of a country.

HAYS: I remember the first time I went to Mexico City years ago, I was struck by how

many older U.S. cars were on the road. I think it's that resourcefulness that when people are poor, when they don't have resources, how these guys are able to work on the cars themselves, scavenge the parts.

LEWIS: It's amazing what you can do when you have to. Necessity -- best inventions come from that.

HAYS: Speaking of scarce resources, kind of and what we're -- our economy is like. I want to talk about the Federal Reserve. Because remember we had that weak jobs report on Friday? We talked about it here. Only 32,000 jobs created. In the previous months were revised (ph) substantially lower.

What really struck me in the papers -- the commentary afterwards, stories in the paper over the weekend, the majority view on Wall Street is that the Federal Reserve is going to hike interest rates tomorrow, regardless. There is basically two arguments. One, there are other things suggesting the economy is really OK, and this is a temporary soft spot.

But it's also like, they told us basically that they were going to raise rates, and they kind of have to stick with this because their key rate is too low. My "Two Cents" is there is this minority view out there saying the Fed should and will wait and think about this. Because God forbid they start to raise rates just at a time when the economy maybe is slowing down a bit because of the energy prices and everything else. It is going to be a very, very interesting. And an election year? I don't get it.

RAMBERG: But chances are they may stop after Tuesday. Right? We won't see the slow measure. We may see it measured tomorrow, and then stop for a while.

HAYS: That's a good point.

LEWIS: At least reserve the right change your mind. It is supposed to be a dynamic institution. So don't just say well, we made up our mind, we' have to stick to. Please, change if you need to.

Hat I think you've got the right idea. I know a lot of others that probably feel that way as well. Onward and upward. Coming up, the money trap. More Americans than ever before are filing for bankruptcy. Why is congress clamping down on those struggling to get out of debt? We'll tackle that topic when we return.

(COMMERCIAL BREAK)

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