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March 28 2014 20:27

Table of contents

1. The Tilting Yard: The Gulf Spill and the Revolving Door 1

Bibliography 4

The Tilting Yard: The Gulf Spill and the Revolving Door

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ProQuest document link

Abstract: The vast oil slick gushing from the wreck of the Deepwater Horizon offshore drilling rig has brought back into the headlines our old friends at the bumbling Minerals Management Service, a bureau of the Department of the Interior. The current president of the National Ocean Industries Association, a trade group for offshore oil drillers whose website describes its "mission" as securing "a favorable regulatory and economic environment" is -- surprise -- a former director of the Minerals Management Service.

Links: Linking Service

Full text: Another disaster, another regulatory bungle. The vast oil slick gushing from the wreck of the Deepwater Horizon offshore drilling rig has brought back into the headlines our old friends at the bumbling Minerals Management Service, a bureau of the Department of the Interior.

Last time we checked in on the MMS, it was the bureau's royalty-collecting program that was doing its best to make a sick joke of the possibility of good government. This was the federal organization charged with collecting revenue from oil companies that drill on public land; instead, you will recall, the program's staffers were apparently trying to give new meaning to the old Washington saying about being "in bed with industry."

It was a different branch of the MMS that was charged with oversight of the nation's offshore oil drillers, but apparently the same chummy relationship with industry prevailed. Last Friday, The Wall Street Journal catalogued the various ways in which the bureau had deferred to oil drillers in safety matters, following a philosophy the newspaper called "industry self-regulation." Among many other things, this meant taking industry's word that it had installed certain safety systems and leaving guidelines for worker training up to industry groups.

It only takes a few minutes of Internet drilling to locate the inevitable revolving door. The current president of the National Ocean Industries Association, a trade group for offshore oil drillers whose website describes its "mission" as securing "a favorable regulatory and economic environment" is -- surprise -- a former director of the Minerals Management Service. The man he replaced at the helm of the oil drillers group was also a former director of the MMS.

How many times must we hear this stomach-turning story?

We heard it after the banking regulators sat cluelessly through the financial crisis. We heard a version of it about the Securities and Exchange Commission, with its "voluntary supervision" program for investment bank holding companies. We heard a slightly different iteration about the Office of Thrift Supervision, whose director once referred to the CEO of Washington Mutual as "my largest constituent assetwise."

A few years back, the same narrative described what was going on at the Department of the Interior, which had become lobbyist Jack Abramoff's playground. And what had happened at the Food and Drug Administration, which had virtually been transformed into an arm of Big Pharma. And at OSHA. And at the Federal Aviation Administration.

Always the account followed the same pattern: Self-regulation. Voluntary oversight. Regulators who regard industry as their client, their customer, their constituent. Regulators who take jobs as lobbyists. Lobbyists who take jobs as regulators. Prosecutions brought down almost to zero. Good times for everyone.

And, at the end of the story: colossal scams, tainted food, environmental catastrophe, economic disaster.

It would be nice if we could blame all this on Republican administrations and be done with it. But it isn't so simple. Goldman Sachs, to name one protagonist in a recent version of the story, has always had prominent

friends in both parties. It was the Clinton administration, with its scheme to "reinvent government," that made consensus wisdom out of the idea that markets should be the model for the state; it was the big thinkers of Democratic centrism who shunned adversarial regulatory strategies in favor of a more "entrepreneurial" approach.

The phenomenon I am describing is familiar to the point of nausea. The economists have a technical term for it, "regulatory capture." Our Gilded Age ancestors were fairly obsessed with it.

But today's consensus commentators, steeped as they are in the orthodoxy of markets, tend to regard the notion of regulatory capture as a conspiracy theory.

And so failure after regulatory failure leads not to the obvious insight that self-regulation never works, but instead to that hoary old truism of the backlash: Government never works. The only thing to do is to grab a nine iron and smash it up even more.

The Obama administration, for its part, seems to believe it can solve the problem by rearranging the flowchart. Yesterday it announced plans to split the MMS into two separate agencies. Much more than that is in order. If the administration wants to vindicate government, it must begin by acknowledging that a certain philosophy of governance has failed.

The president's task is to name and shame that form of governance, and to do it in such a conspicuous and convincing and memorable way that it changes forever how we think about Washington. If he does it well, future presidents just might hesitate before they install, say, another investment banker at the Treasury Department or another coal lobbyist at the Interior Department.

If the administration continues to ignore the larger problem, we have nothing to look forward to but failure and fury, all the way to the oily horizon.

Credit: By Thomas Frank

Subject: Environmental economics; Offshore drilling; Regulation; Oil spills;

Location: United States--US

Company / organization: Name: Minerals Management Service; NAICS: 924120;

Classification: 8510: Petroleum industry; 4310: Regulation; 9190: United States

Publication title: Wall Street Journal, Eastern edition

Pages: A.17

Publication year: 2010

Publication date: May 12, 2010

Year: 2010

Publisher: Dow Jones & Company Inc

Place of publication: New York, N.Y.

Country of publication: United States

Publication subject: Business And Economics--Banking And Finance

ISSN: 00999660

Source type: Newspapers

Language of publication: English

Document type: Commentary

ProQuest document ID: 275875608

Document URL: http://search.proquest.com/docview/275875608?accountid=14270

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Last updated: 2011-05-16

Database: ABI/INFORM Complete,ProQuest Newsstand

Bibliography

Citation style: APA 6th - American Psychological Association, 6th Edition

Frank, T. (2010, May 12). The tilting yard: The gulf spill and the revolving door. Wall Street Journal. Retrieved from http://search.proquest.com/docview/275875608?accountid=14270

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