

# Dan Rather Reports

**Episode Number:** 317

**Episode Title:** Charging Into A Recession

**Description:** Credit card debt is climbing rapidly as consumers use it as a last line of defense. Also does the credit card industry face the same future as the sub-prime mortgage market? Plus high definition video shows the once beautiful coral reefs off Florida's coast are dying from pollution. And New York's Health Commissioner tries to save a city from itself.

**TEASE :**

MARTA KYAW-NYEIN, COORDINATOR OF THE FREE MONTHLY DEBT  
CLINIC IN FALLS CHURCH

It was very-- sad to see families just paying minimums on their credit cards, they were putting all their money into the mortgage that they had no more money for gas or food.

BRIAN LAPOINTE, MARINE BIOLOGIST

The thing about coral reefs is that they contain tremendous biological diversity. If you lose the coral, you lose the habitat, and you lose those species.

TOM FRIEDEN, NEW YORK CITY HEALTH COMMISSIONER

The sad fact is that most public health agencies in this country, and around the world, spend most of their time and money dealing with diseases and conditions that killed people a hundred years ago, but don't concentrate on what's making us sick today.

RATHER (VOICE OVER)

We'll bring you the news, tonight, on Dan Rather Reports.

**CREDIT CARDS:**

RATHER (ON CAMERA)

GOOD EVENING FROM NEW YORK. THE ECONOMY HAS BECOME ISSUE NUMBER ONE THIS YEAR BUT THERE'S A NEW TWIST HAPPENING RIGHT NOW THAT HAS SOME ECONOMISTS VERY WORRIED. THERE ARE REPORTS OF HOMEOWNERS WALKING AWAY FROM THEIR HOMES BEFORE GIVING UP THEIR CREDIT CARDS. THOSE LITTLE PIECES OF PLASTIC ARE QUICKLY BECOMING FOR MANY AMERICANS THE LAST LINE OF DEFENSE. THIS COUNTRY'S SIMPLE TWO WORD PHILOSOPHY IN WALKING TOWARD A RECESSION SEEMS TO BE: CHARGE IT. AND WHILE THAT MAY PUT A SMILE ON THE FACE OF CREDIT CARD COMPANIES - THE QUESTION OUT THERE IS -- ARE WE SIMPLY CHARGING OUR WAY DEEPER INTO A RECESSION?

RATHER (VOICE OVER)

THERE ARE PLENTY OF SIGNS AROUND THE COUNTRY OF AN ECONOMY IN TROUBLE. BUT ONE OF THE MOST RECENT SIGNS IS NOW DEVELOPING IN THE SHADOW OF THE HOUSING CRISIS. WE CAME HERE, TO THE SPRAWLING SUBURBS OF NORTHERN VIRGINIA JUST OUTSIDE THE NATION'S CAPITAL. THIS USED TO BE ONE OF THE FASTEST GROWING AREAS IN THE COUNTRY. BUT NOW, THE ONCE RED-HOT HOUSING MARKET HAS FALLEN DRAMATICALLY, AND THIS AREA AROUND WASHINGTON D.C. IS SEEING CREDIT CARD DEBT AND LATE PAYMENTS RISING FASTER THAN ALMOST ANYWHERE ELSE IN THE COUNTRY. THE SAME PATTERN CAN BE SEEN ACROSS THE NATION. ACCORDING TO AN ANALYSIS OF THE MOST RECENT DATA FROM THE CREDIT BUREAUS, THE STATES HIT HARDEST BY THE HOUSING CRISIS ARE ALSO SEEING THE BIGGEST GROWTH IN CREDIT CARD BALANCES MANY OF THESE SAME STATES ALSO SHOW THE STEEPEST INCREASES IN CREDIT CARD DELINQUENCIES.

MARTA KYAW-NYEIN, COORDINATOR OF THE FREE MONTHLY DEBT CLINIC IN FALLS CHURCH

Bankruptcy's a very emotional thing...

RATHER (VOICE OVER)

MARTA KYAW-NYEIN IS THE COORDINATOR OF THIS FREE MONTHLY DEBT CLINIC IN FALLS CHURCH, VIRGINIA. SHE TRIES TO HELP THOSE DROWNING IN DEBT. FOR MANY, THE ROAD WILL END IN BANKRUPTCY. BUT BEFORE THAT LAST OPTION, THE DEBT COUNSELOR SUGGESTS A TOUGH CURE.

KYAW-NYEIN

Save your cash, save your money, be smart. Cut the cable. You know, cut all unnecessary luxuries, you know. Maybe cut your internet, go to the library and use the internet. To save electricity start doing your laundry in the sink, you know. Just harsh times call for harsh measures. And-- these are very hard things for Americans to hear because we have-- a way-- a standard of living that's high.

RATHER (VOICE OVER)

SINCE MARTA STARTED WORKING AT THE CLINIC LAST YEAR, SHE SAID THE NUMBER OF DEBTORS HAS GROWN FROM FIVE TO FIFTY.

CLIENT AT DEBT CLINIC

One time I was late with Bank of America, the interest rate went up to like 30.24 percent...

RATHER (VOICE OVER)

THEY'VE ALL SEEN THEIR AMERICAN DREAM SLIP AWAY.

KYAW-NYEIN

It's a horrible reality, but it's a reality that we educate them that they need to face. It's-- it's better to give it to them straight than candy-coat anything, because it's not-- it's just the beginning. They don't realize this headache is just the beginning.

RATHER (VOICE OVER)

MANY OF THE STORIES HER CLIENTS TELL ARE SIMILAR -- IT STARTED WITH THE BUYING OF A HOUSE.

KYAW-NYEIN

A lot of hard working, good Americans are losing their homes, because there was such a bubble in this area. Houses were appreciating at levels that were-- unheard of or unseen. And it's all coming to a crash.

RATHER (VOICE OVER)

THE DECLINE IN THE LOCAL REAL ESTATE MARKET HAS LEFT MANY IN FINANCIAL TROUBLE. PEOPLE WHO USED TO BORROW AGAINST EQUITY IN THEIR HOMES HAVE INCREASINGLY TURNED TO CREDIT CARDS. MANY EVEN USED THEM TO TRY AND HANG ON TO THEIR HOMES WHEN THEIR MORTGAGE RATES CHANGED -- BY PUTTING A CREDIT CARD DOWN TO MAKE THE MORTGAGE PAYMENT. ONE OF MARTA KYAW-NEIN'S CLIENTS; JUANA CARDOZA, DID EXACTLY THAT. JUANA EMIGRATED FROM EL SALVADOR NEARLY 30 YEARS AGO, BECAME AN AMERICAN CITIZEN AND SET OUT TO CAPTURE THE AMERICAN DREAM. THAT MEANT FINDING A SAFE COMMUNITY IN WHICH TO RAISE HER FAMILY.

JUANA CARDOZA

Well, I was looking for the safe place for my family. Cause-- I (UNINTEL PHRASE) live in a city that's very expensive. So, I decided to move all the way to-- Stafford to buy my house. Cause, that's a very nice you know-- very nice and very quiet area.

RATHER (VOICE OVER)

STAFFORD COUNTY IS ABOUT AN HOUR SOUTH OF WASHINGTON - A FARMING COMMUNITY THAT QUICKLY GREW INTO A BEDROOM COMMUNITY. IT WAS HERE THAT JUANA SETTLED.

CARDOZA

When I find the house, you know, it was my dream.

RATHER (VOICE OVER)

AFTER WORKING AS A HOUSEKEEPER FOR FOURTEEN YEARS, BY 2004 JUANA CARDOZA HAD SAVED SEVENTY-THOUSAND DOLLARS -- IT WAS ENOUGH FOR THE DOWN PAYMENT ON THIS FOUR-BEDROOM HOUSE. SHE BOUGHT AT THE TOP OF THE MARKET, PAYING OVER \$400,000 FOR A HOUSE THAT RECORDS SHOW SOLD FOR \$270,000 JUST 18 MONTHS EARLIER. SHE PUT HER LIFE SAVINGS INTO IT, BUT SHE SAID SHE DIDN'T REALIZE HER MORTGAGE INTEREST RATE WOULD JUMP FROM JUST ONE PERCENT, TO 7.6 PERCENT, AFTER THE TEASER RATE EXPIRED.

CARDOZA

I was okay for-- for one year paying my mortgage. After-- well, before one year my payment went up to \$2,200. And then they went up and up.

RATHER (VOICE OVER)

AND THAT WASN'T ALL. SINCE JUANA CARDOZA HAD A GOOD CREDIT SCORE, SHE HAD AGREED TO SIGN LOANS ON THREE OTHER HOUSES FOR FAMILY MEMBERS -- ONE FOR HER SISTER, ONE FOR HER DAUGHTER, AND ONE FOR HER NIECE. NOW, THEY WERE ALSO FALLING BEHIND ON PAYMENTS. JUANA REALIZED SHE HAD NO CHOICE BUT TO SELL HER DREAM HOUSE. BUT IT WAS TOO LATE. THE MARKET WAS DOWN, AND SHE OWED MORE THAN WHAT THE HOUSE WAS WORTH. THAT'S WHEN SHE STARTED USING HER CREDIT CARDS FOR MORTGAGE PAYMENTS.

CARDOZA

I start using the credit card with my-- payment was so high, there was no way you know, I can aff-- you know, make the-- enough money to do the payment. Just when I started using the credit cards.

RATHER (VOICE OVER)

BUT IT WAS TEMPORARY FIX - AS THE ECONOMY SLOWED DOWN, TEN OF HER CLIENTS SAID THEY COULD NO LONGER AFFORD TO HIRE A HOUSEKEEPER, AND JUANA CARDOZA STARTED FALLING BEHIND ON HER CREDIT CARD BILLS AS WELL. THE CREDIT CARD COMPANIES FILED SUIT AND HER BANK ACCOUNT WAS FROZEN.

KYAW-NYEIN

It was very-- sad to see families just paying minimums on their credit cards, just so that they can get more cash advances out to either pay their mortgages, make the difference because maybe they were paying just 1,800 and it shot up to 3,500. You know, they got to make the difference somewhere so they d-- they were taking cash advances or they were putting all their money into the mortgage that they had no more money for gas or food.

CARDOZA

So, we-- we cut off you know, expenses in the house. Like-- you know, no phone. No heat. That was in November and December, there was no heat.

KYAW-NYEIN

Working with them has shown me a humanistic side to bankruptcies, not all about numbers. And it's not all about bad decisions. And I tell Mrs. Cardoza that, you know, "Life happens, you were just trying to do good, help your family." And we're all-- we're adults, but we are still learning lessons, because life is all about lessons.

RATHER (VOICE OVER)

JUANA NOW OWES MORE THAN ONE-HUNDRED AND TWENTY THOUSAND DOLLARS ON AT LEAST FIVE DIFFERENT CREDIT CARDS, CARDS WITH INTEREST RATES THAT HAVE CLIMBED TO OVER 32 PERCENT. SHE IS JUST ONE OF MILLIONS OF AMERICANS WHO CLUNG TO CREDIT CARDS TO HELP RIDE OUT THE HOUSING CRASH ONLY TO FIND THEMSELVES DRAGGED INTO DEEPER FINANCIAL TROUBLE BY RAPIDLY ESCALATING FEES AND INTEREST RATE HIKES.

BEN BERNANKE, CHAIRMAN OF THE FEDERAL RESERVE

These rules are intended to protect consumers from unfair or deceptive practices.

RATHER (VOICE OVER)

NOW, THE FEDERAL RESERVE BOARD IS PROPOSING TO OUTLAW SOME OF THE CREDIT CARD INDUSTRY'S MOST CONTROVERSIAL TACTICS. FEDERAL RESERVE CHAIRMAN, BEN BERNANKE.

BERNANKE

Consumers relying on credit cards should be better able to predict how their decisions and actions will affect their cost. At present, this is not always the case. Creditors now can reserve the right to increase interest rates at any time, and for any reason and apply the new rates to purchases that the consumer has already made.

RATHER (VOICE OVER)

BUT CREDIT CARD COMPANIES ARE AGAINST NEW REGULATIONS.

JAMES CHESSEN, CHIEF ECONOMIST AT THE AMERICAN BANKERS  
ASSOCIATION

It's all a matter of risk.

RATHER (VOICE OVER)

JAMES CHESSEN IS THE CHIEF ECONOMIST AT THE AMERICAN BANKERS ASSOCIATION, THE LOBBYING ORGANIZATION FOR BANKS AND CREDIT CARD COMPANIES. HE SAYS, THE CURRENT CREDIT CARD SYSTEM IS FAIR.

CHESSEN

Today, the best credit worthy people can get a credit card with an interest rate in the high single digits. But if you're riskier and have a payment history where you've missed payments, you have high balances, you would naturally pay a higher interest rate. Higher risk borrowers pay more in interest, just like high risk drivers who've had accidents pay a lot more for their auto insurance. It's a simple principle of risk based pricing.

RATHER (VOICE OVER)

CHESSEN SAYS THAT EVEN IF AMERICANS START RUNNING UP A LOT OF CREDIT CARD DEBT THEY CAN'T PAY BACK, THE CREDIT CARD COMPANIES HAVE PLENTY OF MONEY TO KEEP THEMSELVES SOLVENT.

CHESSEN

All banks, including credit card companies, put aside reserves to cover potential losses. And in spite of all the reserving that they've done to be careful, the industry, as a whole, has a huge amount of capital. The banking industry today has \$1.4 trillion in capital to support the kind of lending that they do. And they put aside a lot of reserves to be able to cover the losses that they expect.

RATHER (VOICE OVER)

THESE RESERVES NOT ONLY COME FROM BANK CUSTOMERS, BUT ALSO FROM INVESTORS.

CHESSEN

About half of the funding now is coming from the sale of securities that are backed by the revenue that flows in from credit cards.

RATHER (VOICE OVER)

THAT'S CALLED SECURITIZATION AND IT MEANS THAT YOUR CREDIT CARD DEBT IS BEING BOUGHT AND SOLD ON THE WORLD FINANCIAL MARKETS. BANKS BUNDLE DEBTS FROM CREDIT CARDS AND MORTGAGES AND RESELL THEM AS BONDS. AND IT'S BECOME BIG BUSINESS.

JOSEPH MASON, FINANCE PROFESSOR

There are about \$9 trillion of consumer loan securitizations outstanding.

RATHER (VOICE OVER)

JOSEPH MASON IS A FINANCE PROFESSOR WHO SPECIALIZES IN SECURITIZATION.

MASON

Securitization provides about two-thirds of bank funds today. It's the new way that banks raise money in order to make loans. And without calm, stable markets for bank funding, banks can't make loans and you can't get loans and you can't buy the things that you can afford.

RATHER (VOICE OVER)

THAT'S WHAT HAPPENED LAST SUMMER. THE SECURITIZATION MARKET FOR SUBPRIME MORTGAGES COLLAPSED ENTIRELY. CRITICS CALL SECURITIZATION A SHADOW BANKING SYSTEM, WHICH OPERATES BEYOND THE JURISDICTION OF BANK REGULATORS.

MASON

The regulators have been behind the ball throughout, really, the-- the history of securitization.

RATHER

Why shouldn't I be really concerned about this? Or should I be?

MASON

You should be really concerned.

RATHER

Now, you've been studying these things for a long time. You gave a warning signal about the mortgage business. What do you think? Is that a reasonable fear that the credit card house will come tumbling down as the sub prime did? Or unreasonable?

MASON

I think it's less than reasonable right now. I wouldn't say completely unreasonable. As I said, eci-- economics is a science. But every science-- speaks with a margin of error. And so I do hedge that to some extent. But, nonetheless, the credit card structures are-- something that have been built with a great deal of experience.

RATHER

Because they know more about their customers.

MASON

Precisely. Precisely. The credit card industry goes to great lengths to know their customers. They track credit card usage. So that if you use your credit card to pay a divorce attorney, and then start going to a lot of bars afterward, they might know that you could be at risk. Coming up of a very stressful financial situation.

RATHER

And how do they know these things about you? About anybody that has a credit card?

MASON

Well, on your bill is listed the charges that you've made with that card.

RATHER

But when it comes to predicting customer behavior, you can't say you really know. You say, well you take historical models, but you know, if I understand it correctly, correct me if I'm wrong, what happened with the sub-prime thing is that it got much worse, a whole lot worse, than anybody thought it could do.

MASON

Well, economics is a science. But there are limits to any scientific knowledge, even in the physical sciences. And financial engineering will never be perfect. But I think very conservative financial engineering can build financial structures that will stand. Will they always stand? No. But will they fall apart as really predictably as those in the mortgage industry? I think they'll do far better than that.

RATHER(VOICE OVER)

WHILE PROFESSOR MASON THINKS THE CREDIT CARD MARKET *WILL* HOLD UP, NOT EVERYBODY AGREES. THAT PART OF THE STORY, WHEN WE RETURN.

**DR. GARY SHILLING INTERVIEW:**

RATHER (VOICE OVER)

CREDIT CARDS HAVE BEEN AN EXTREMELY PROFITABLE BUSINESS FOR BANKS FOR MORE THAN TWENTY YEARS NOW. THE CREDIT CARD COMPANIES AND SOME OTHER OBSERVERS SAY THEY ARE CONFIDENT THAT THE INDUSTRY IS ROBUST ENOUGH TO HANDLE BIG LOSSES, BUT THERE ARE OTHER VIEWS. DR. GARY SHILLING IS A FORMER CHIEF ECONOMIST AT MERRILL LYNCH, WHO NOW RUNS HIS OWN CONSULTING FIRM AND WRITES AN INFLUENTIAL NEWSLETTER. HE HAS PREDICTED MANY OF THE SHIFTS IN OUR ECONOMY SINCE THE 1970'S. HE WORRIES NOW THAT THE SECURITIZATION OF CREDIT CARD LOANS MAY LEAD TO PROBLEMS LIKE THOSE WITH SUBPRIME MORTGAGES.

RATHER

most people know, at least in a broad, general way, about what happened to subprime mortgages. Question: is a version of what happened to mortgages, particularly subprime mortgages, happening to the credit card business, or about to happen?

DR. GARY SHILLING

Yeah,-- yeah, it could. Because these credit cards-- are borrowing are securitized very much as sub-prime-- loans were. In other words, they're put into a package. And then they-- pieces of that, tranches they're called, are sold off to investors. And they are the basis of further-- derivatives, they're called. In other words, they're wrapped around in other various pieces. And-- you end up with not anybody knowing exactly what you have.



RATHER

Well looking at a number of statements from the banking industries, and basically the industry says, listen, we're very well prepared for increased delinquencies on credit card debt, and neither Dan Rather nor anybody else should compare it with the subprime. What do you think of that?

SHILLING

They have the same problem that a lot of the sub-prime-- issuers had-- of-- of-- securitizations and so on. They base this on models. And the models assumed that the history of the last couple of decades is gonna re-- repeat. In the case of sub-prime mortgages, there was nothing in those models that said you could have a substantial, long-lasting decline in house prices. And in the case of the credit cards issuers, there's nothing in their models that said, "You could have a situation where people's equity in their houses disappears. And you get a-- a-- not only a serious recession, but one where house prices are very seriously declining." So, my feeling is, and I'm not intimate to the models of a lot of these credit cards issuers. But I'd be willing to-- to bet that they-- their models are-- are-- are really-- useless at this point. That the delinquency increases are big surprises to them.

RATHER

Well, people I've talked to in the banking industries, say listen, it's true, we work on models, historical models, but we built in a cushion. And even if delinquencies go to hell in the proverbial hack, we'll be okay, because the profit in the credit card business is so great, we'll be okay and you'll be okay.

SHILLING

Sure. They may have built in quite a cushion between very nice profits and zero profits, much less losses. But if they get these higher delinquencies, they do eat into that profit margin at a minimum. And I think shareholders are-- are-- are well aware of this. And there's another thing, too on this. And that is that this decline in saving rate, which is the flip side of increasing borrowing. Now that is going to be very, very difficult long run for the credit card business. Because the credit cards business, for the last 25 years, when consumer saving rates have been declining, and borrowing rates, just the flip side, have been increasing, they've been the beneficiaries. It's been a growth industry. If we're right, we're not only gonna see these problems now, but for many years to come. We're gonna see this as not as growth industry, but a lagging industry. Now how far it goes, you know, your guess is as good as mine.

RATHER

Well we know my guess is not as good as yours. What is your guess?

### SHILLING

My guess is that-- that we are in a major recession now. That it is-- it-- it is global. That because of the collapse in housing prices, that people have really run out of things against which to borrow. That they've maxed out their credit cards. They are finding that this is not a bottomless pit. It's not a well that never runs dry. That they are being forced to cut back their spending. And that means they're gonna be increasing their saving. And-- and one of the reasons that it's going to be very difficult is because, unlike the mortgage area, you don't have the government standing behind there. You have nothing like the American dream of home-ownership, which is deeply ingrained in the American psyche. And it's politically very powerful. You look at Congress, the administration. They're stumbling all over each other to figure out ways to bail out about housing. There's nothing like that in the credit card area. Sure. If-- if you had a bunch of-- of banks who were very heavy credit card issuers, all -- they'd be facing-- financial ruin-- the government would have to, you know, the fed, the Treasury, they'd have to step in. I don't think you'd have that extent. They don't-- they don't-- the credit cards aren't that big in their whole balance sheets. The reason that I think it is particularly serious, as we were just discussing, is because you don't have the government safety net under it. In other words, the problems don't have to be as severe as in the mortgage area for the consequences to be as-- as-- uninviting.

### RATHER

Let's talk about, go from the macro to the micro. An actual case, and you've seen what we had with Juana Cardoza, that she put her life savings into a home in the outer suburbs of Washington D.C., at the height of the housing market, she bought at the top. Then she, her mortgage was reset, so she racked up more than \$100,000 in debt trying to make the house payments--So in the end Juana Cardoza may lose the house, may have to go into bankruptcy. Question of accountability: is she accountable for that, is she accountable for all of it, is s he the only one to blame?

### SHILLING

Oh, you know, that's a very good philosophical question. Are we responsible for ourselves, in this case, financially? Now, if she is responsible, hey -- it's really tough. She can have some very difficult times. She could end up going to charities for-- for just put food on the table.--You can sketch all kinds of horror stories. On the other hand, if you say, "Well, you know, she didn't really know what she was getting into, and maybe there was some fraud. Maybe somebody did get her to sign something that she didn't understand."

### RATHER

Or she ran into predators, who may be barely on the right side of the law, but they were predators.

### SHILLING

But let's—

RATHER

Question mark.

SHILLING

Let's-- let's move beyond that. Because, you know, if that's the case those people obviously are culpable. They should be prosecuted etc. Now there are a lot of countries that simply would not allow people to get as deeply in debt as Americans typically do, because they culturally feel like this isn't right. And they've got rules and regulations. And the lenders are not allowed to do it. We're pretty-- we're pretty free in this country. We're kind of saying, "Hey, if you wanna take big risk, and you wanna make a damn fool out of yourself, that's your privilege."

RATHER

Well, among the more difficult questions to answer always are the what if questions—but what if there are millions, many millions, or turn out to be many millions of the Juana Cardozas, what does that mean for the credit card industry, and more importantly what does it mean for the economy as a whole?

SHILLING

We are the biggest consuming economy in the world. And that is supported, in large part, by borrowing. That's this whole idea that people have been increasing their spending much more rapidly than their incomes have-- have gained for 25 years. So if you do anything that len-- that ends that, and I think that's exactly what we're doing, starting with home equity, and now in credit cards, that has some very significant impacts for the economy. We figure that that could take-- one percentage point growth off the economy. Now the economy, and adjusted for inflation, long-term growth's about three percent.

RATHER

So if you take one percent off of it that's a lot.

SHILLING

That is a lot. That is a tremendous amount. And that gives you all kinds of ramifications. 'Cause that says you got a lot of excess capacity. It's-- so you're not gonna get the capital spending. You don't need market to build more capacity. It says that the consumers are-- are-- are gonna be, obviously, in trouble. Because they're gonna be trying to save. And-- and-- and you'll have more unemployment under those circumstances. So they won't have the jobs and the incomes and ability to save. And it-- and it-- and it's-- it's a-- it's a very-- it's a very dire kind of situation-

RATHER

What's the most important thing for people to know about where we are in the American economy? Where we are with this credit card situation building, the home mortgage situation already having hit?

## SHILLING

People should understand that we're-- that we're really in a perfect storm in terms of this whole finan-- consumer financing area, whether it's houses, credit cards, student loans-- people raiding 401k's. Perfect storm in the sense that the lenders are tightening up because they've been badly hurt, and they're gonna get hurt a lot more. And consumers have been, obviously, ravaged, and in the case of the sub-prime mortgages, and I think increasingly in credit cards, student loans, other-- other-- other lending. And they oughta understand that this is gonna be a rough environment. You see, this-- this recession started with housing, and then it spread to Wall Street. And we're-- the third-- the third phase, if you will, is the retrenchment of American consumers. Now what-- what should people do about this?-- the president may get up and-- and say, "Gee, everybody gotta-- oughta go out and spend their-- their tax-- their tax rebates, you know, 100-- over \$150 billion going out to people as we speak." The surveys show that they're only gonna spend about 20 percent of that, or less. But people are-- are doing by-- by saving the 80 percent, paying down debt, they're doing exactly what they oughta do in their own best interest. It may not help the economy. But it's sure gonna put them in better financial shape to weather the storm.

RATHER (ON CAMERA)

THE RESPECTED ECONOMIST, DR GARY SHILLING. UP NEXT, THE BEAUTIFUL BUT THREATENED UNDERSEA WORLD OF THE CORAL REEFS. YOU'LL SEE IT IN JUST A MOMENT.

### **KILLING THE WATER:**

RATHER (ON CAMERA)

REEFS ARE THE BEAUTIFUL BUILDING BLOCKS AT THE BOTTOM OF THE SEA. ALTHOUGH THEY MAKE UP LESS THAN ONE PERCENT OF THE EARTH'S SURFACE THEY SUPPORT TWENTY-FIVE PERCENT OF ALL MARINE LIFE. WITHOUT CORAL REEFS THOUSANDS OF SPECIES OF FISH AND OTHER SEA LIFE WOULD HAVE NO HOME. TONIGHT WE'RE REPORTING ON A MAJOR STORY THAT COULD AFFECT US ALL BECAUSE THE CORAL REEFS ARE IN DANGER. WORLDWIDE, NEARLY ONE-FIFTH OF ALL CORAL REEFS HAVE ALREADY BEEN DESTROYED AND MORE THAN HALF OF THOSE REMAINING ARE NOW THREATENED. OFF THE EASTERN COAST OF FLORIDA, SCIENTISTS ARE FINDING THE ANSWERS TO WHAT'S KILLING THE CORAL.

RATHER (VOICE OVER)

WHAT YOU CAN'T SEE FROM THE WHITE SAND BEACHES HERE IS WHAT MAKES LIFE SO RICH AND DIVERSE IN THE ATLANTIC'S GULF STREAM WATERS. FOR 220 MILES, FROM PALM BEACH THROUGH THE FLORIDA KEYS, CORAL REEFS LINE THE OCEAN FLOOR OFF FLORIDA'S EASTERN COAST GIVING HOME AND COVER TO HUNDREDS OF SPECIES.

BRIAN LAPOINTE, MARINE BIOLOGIST

We're going to be going out here to the four reef at Looe key and anchoring mid-reef. We'll take water samples there, collect some algae.

RATHER (VOICE OVER)

BRIAN LAPOINTE GREW UP HERE- SWIMMING AND DIVING IN AND AROUND FLORIDA'S CORAL REEFS. NOW A MARINE BIOLOGIST WITH THE HARBOR BRANCH OCEANOGRAPHIC INSTITUTION, LAPOINTE'S LOVE OF THE OCEAN HAS BECOME HIS LIFE'S WORK

LAPOINTE

Shark. Uh-oh. Okay, I think we're ready to go.

RATHER (VOICE OVER)

IN THIS OCEAN WORLD, HE FINDS TROUBLING CHANGES IN THE REEFS HE HAS BEEN STUDYING.

LAPOINTE

We've lost over 95 percent of Elkhorn coral at Looe Key. This was the giant redwood of Looe Key that provided all this habitat for all these species including things like snappers, groupers and grunts, that are the backbone of the keys fishery.

RATHER (VOICE OVER)

LAPOINTE BEGAN COLLECTING DATA ON THE REEFS IN THE 1980S TAKING SAMPLES FROM DOZENS OF SPECIES OF THESE FRAGILE LIVING ORGANISMS. FROM THE SPONGE-LIKE BRAIN CORAL TO SEA FAN CORAL EVERY ONE OF THESE STRUCTURES IS MADE UP OF TINY, LIVING SEA CREATURES KNOWN AS CORAL POLYPS. THEIR SOFT CORES SECRETE A FLUID THAT HARDENS INTO LIMESTONE AND THAT'S WHAT CREATES THESE VAST REEFS, WHICH HAVE BEEN GROWING INCH BY INCH FOR MILLIONS OF YEARS.

LAPOINTE

The thing about coral reefs is that they contain tremendous biological diversity. Many, many species live in coral reef habitats. If you lose the coral, you lose the habitat, and you lose those species.

RATHER (ON CAMERA)

AND THAT'S THE KEY. SCIENTISTS WORRY IF THE CORAL DIES, SO DO THE OCEANS. AND THE PROBLEM HERE IS ON A GRAND SCALE BECAUSE THE CORAL JUST OFFSHORE FROM FT. LAUDERDALE IS ONE OF THE LARGEST BARRIER REEFS IN THE WORLD.

RATHER (VOICE OVER)

TWENTY YEARS AGO THESE CORAL REEFS LOOKED LIKE THIS: A PALETTE OF BRIGHT REDS, GREENS, BLUES AND YELLOWS. THESE VIVID COLORS COME FROM MICROSCOPIC ALGAE THAT LIVES INSIDE THE CORAL, WHEN THE CORAL IS HEALTHY. BUT WHAT LAPOINTE SEES TODAY IS A DULL AND FADING UNDERSEA LANDSCAPE A CLEAR SIGN, HE SAYS, THAT THE CORAL IS BEING SUFFOCATED. ALGAE AND SEAWEEDS ARE OVERWHELMING THESE CORAL.

LAPOINTE

Coral reefs have adapted over millions and millions of years to very low nutrient concentrations, clear water. And when nutrients become abundant in the water you upset this balance. Basically you get weed species, like seaweeds that begin to compete with the corals for space on the bottom.

RATHER (VOICE OVER)

THE NUTRIENT LAPOINTE IS FINDING IN THE WATERS IS NITROGEN. IT ACTS AS A FERTILIZER THAT CAN CAUSE MASSIVE ALGAE GROWTH THAT LITERALLY CHOKES THE CORAL.

LAPOINTE

What we recorded at our monitoring at Looe Key was over a 100 percent increase in nutrient concentrations from the 1980's to the 1990's. And the water gets dirty. You get algae in the water and other types of organic material that clouds the water and it blocks the sunlight that corals needs to grow.

RATHER (VOICE OVER)

WHILE SCIENTISTS BELIEVE CORAL REEFS CAN WITHSTAND SMALL FLUCTUATIONS IN NUTRIENTS AND WATER TEMPERATURES, LIKE ANY SPECIES, CORAL HAS A TIPPING POINT. AND SOUTH FLORIDA'S RAPID POPULATION GROWTH MEANS MORE AND MORE PICTURES LIKE THIS. NOT FAR FROM MIAMI, SOME OF THE BEST BEACHES IN FLORIDA HAVE UNDERWATER SEWAGE OUTFALL PIPES, LIKE THIS ONE -ONLY ABOUT A MILE OFFSHORE. WHILE BATHERS PLAY IN THE SURF, MILLIONS OF TONS OF PARTIALLY TREATED SEWAGE, MEDICAL AND INDUSTRIAL WASTE, ARE DUMPED HERE NINETY FEET DOWN. LAPOINTE HAS MEASURED NITROGEN LEVELS 1,000 TIMES GREATER THAN WHAT HEALTHY CORAL CAN TOLERATE. AND EVEN THOUGH THE FLOW OF SEWAGE INTO THE ATLANTIC OFF FLORIDA IS COMPLETELY LEGAL, THERE IS GROWING EVIDENCE IT IS THROWING THE DELICATE ECOSYSTEM COMPLETELY OUT OF BALANCE. DAN CLARK RUNS A SMALL NONPROFIT GROUP CALLED "CRY OF THE WATER."

DAN CLARK, HEAD OF NON-PROFIT GROUP “CRY OF THE WATER”  
It's not a very nice place to dive. It's kind of scary, actually. When we went diving with those guys there and when you came up, there's all this water dirty water boiling to the surface and you can smell it and it's not a nice place to be, but somebody's needs to get out and document what's going on.

RATHER (VOICE OVER)

CLARK TOOK HIS EVIDENCE TO THE U.S. CORAL REEF TASK FORCE—A GROUP OF FEDERAL AND STATE AGENCIES CREATED ALMOST A DECADE AGO TO “PRESERVE AND PROTECT CORAL REEF ECOSYSTEMS”. WHILE THERE'S GENERAL AGREEMENT ABOUT THE EFFECTS OF MAN-MADE WASTE FINDING A WAY TO REDUCE THE NITROGEN CONTENT BEFORE IT REACHES THE OCEAN WATERS COMES AT A PRICE TAXPAYERS MAY NOT BE WILLING TO PAY. AS A POLICY ADVISOR FOR THE NATIONAL OCEANOGRAPHIC AND ATMOSPHERIC ADMINISTRATION, ROGER GRIFFITHS IS ON THE FRONTLINES OF THE EFFORT TO SAVE THE CORAL.

ROGER GRIFFITHS, POLICY ADVISOR FOR THE NATIONAL OCEANOGRAPHIC AND ATMOSPHERIC ADMINISTRATION

The technology exists to take in sewage and put out the other side drinkable water. There's no question. Those kinds of plants are very expensive. This becomes trade-offs in investment. Communities, local municipalities, states and the federal government have to make these tough decisions. The reality is reefs thrive in water that is very low in nutrients. You can't put nutrients into a reef area and expect it to survive. We know how to treat water and it's a matter of, it's expensive and we don't - in many of these areas we don't currently have the capacity to handle the increased population that has settled there very rapidly, in many cases in the past five to ten years.

RATHER (VOICE OVER)

THE DEPTH, THE SIZE OF THE PROBLEM IS NOT IN DISPUTE. BUT NOT EVERYONE AGREES THAT MAN IS THE MOST DANGEROUS THREAT OR THAT EVERY PROBLEM SEEN IN THE REEFS COMES FROM DEVELOPMENT ALONG THE SHORE.

LYNN SCARLET, DEPUTY SECRETARY OF THE INTERIOR

These are ecosystems in trouble. There's coral bleaching - there's disease.

RATHER (VOICE OVER)

AS A POLITICALLY APPOINTED DEPUTY SECRETARY OF THE INTERIOR, LYNN SCARLET IS ONE OF MANY FEDERAL OFFICIALS WHO ARE SUPPOSED TO BE PROTECTING OVER 3 MILLION ACRES OF THIS COUNTRY'S CORAL REEFS.

## SCARLET

There's different solutions for different problems. First, with some of the disease that we're seeing, I think first and foremost we need more investment in the research and the science. Some of the diseases that we are seeing we don't quite know why they're occurring. There have been studies by our U.S. geological survey on dust that is coming all the way from Africa that they hypothesize is bringing diseases, pathogens that are affecting our coral reef. So first and foremost, let us invest in science.

### RATHER (ON CAMERA)

AND SOME OF THAT SCIENCE IS LEADING RESEARCHERS TO LOOK BEYOND THE OCEANS. WHAT THEY'RE FINDING IS A THREAT TO THE CORAL MILES AWAY COMING FROM INLAND SOURCES. HERE IN FLORIDA, THE DRAINING OF THE EVERGLADES—A NATURAL FRESHWATER FILTER—IS TAKING A TOLL AND THE TOLL IS INCREASING - RAPIDLY.

### RATHER (VOICE OVER)

HALF OF THE EVERGLADES, THE LARGEST WETLAND AREA IN THE U.S. - IS ALREADY GONE, LOST TO DEVELOPERS AND AGRICULTURE. LARRY BRAND, A PROFESSOR OF MARINE BIOLOGY AT THE UNIVERSITY OF MIAMI STUDIES THE CONNECTION BETWEEN THE EVERGLADES WATERSHED AND THE SURROUNDING OCEAN ENVIRONMENT.

LARRY BRAND, UNIVERSITY OF MIAMI PROFESSOR OF MARINE BIOLOGY  
Well, the traditional flow of water in south Florida flows through the everglades down into Florida bay and then from there, that water goes mostly down through the Florida keys and, ultimately, over the coral reefs.

### RATHER (VOICE OVER)

IT CAN TAKE UP TO A YEAR FOR THE FRESH WATER FROM THE EVERGLADES TO REACH THE CORAL REEFS. AS THE WATER TRAVELS THROUGH THE WETLANDS, THOSE WETLANDS ACT AS A NATURAL FILTERING SYSTEM REMOVING EXCESS NITROGEN AND OTHER NUTRIENTS THAT ARE DEADLY WHEN CONCENTRATIONS GET TOO HIGH. WHEN THE WATER WAS DRAINED THE NATURAL FILTRATION SYSTEM WAS COMPROMISED.

### BRAND

The everglades are about 5,000 years old. And while that soil in the everglades is under water it tends to hold in and store nutrients. Once you drain the everglades and that soil, which was underwater, now becomes dry land, it starts releasing those nutrients. So, essentially 5,000 years worth of nutrients stored in the everglades have now been released, just in the 20th century -over the last 50 to 100 years.



RATHER (VOICE OVER)

BRAND, LIKE BRIAN LAPOINTE, BELIEVES THERE'S A DIRECT CONNECTION BETWEEN MAN'S BEHAVIOR ON THE LAND AND THE DECLINE OF FLORIDA'S CORAL REEFS.

BRAND

It was only in the '80's that they decided to start pumping that water to the south and that's when we started seeing the large algal blooms in Florida bay and then the rapid decline of the coral reefs in the Florida Keys.

RATHER (VOICE OVER)

THERE IS DISAGREEMENT ABOUT WHICH FACTORS ARE CAUSING THE CORAL TO FADE SO RAPIDLY. BUT THERE IS NO QUESTION THAT THE REEFS' DESTRUCTION IS A WARNING SIGN. OFF LOOE KEY BRIAN LAPOINTE SEES OTHER EVIDENCE OF DANGER ON THE REEF.

LAPOINTE

Well, what we saw today was quite an algae bloom, on the bottom, cyanobacterial bloom, a plant we call lyngbia, that grows on soft corals. It produces some nasty toxic compounds. And we're very concerned about the lyngbia. It's becoming a problem algal throughout many of Florida's coastal waters and fresh waters as well, because it produces tumor promoting compounds, very concerned that it may be contributing to problems like fibropapilloma in sea turtles who inadvertently eat it.

RATHER (VOICE OVER)

SO FAR NO DIRECT LINK HAS BEEN CONFIRMED BETWEEN THE ALGAE AND LESIONS AND TUMORS APPEARING ON TURTLES AND DOLPHINS, BUT COMMERCIAL DIVERS ARE STARTING TO SEE THE CHANGES IN THE SEA CREATURES AND ON THE REEF. RICK TROUT EARNS A LIVING DIVING OFF THE FLORIDA KEYS.

RICK TROUT, COMMERCIAL DIVER

Many of the animals, sea turtles in particular these days, but also dolphins and whales, will come in with what's known as a papilloma virus. It looks like a real nasty, ugly wart but it actually can grow over the animal's body.

RATHER (VOICE OVER)

TO SAVE THE TURTLES, BUSINESSMAN RICHIE MORETTI FOUNDED THE TURTLE HOSPITAL. MORETTI BOUGHT A BEACH HOTEL IN THE KEYS ON A WHIM AND MADE THE SALT WATER POOL AN AQUARIUM. HE DECIDED TO RESCUE TURTLES IN EXCHANGE FOR THE CHANCE TO ADD ONE TO HIS COLLECTION. THE TURTLES TOOK OVER THE POOL AND HIS BECAME A FULL-TIME JOB.

**RICHIE MORRETTI, TURTLE HOSPITAL FOUNDER**

We're seeing what may be a virus. They grow lesions over as much as 75 percent of their soft tissue and a lot of times because of the vascular nature of the eyes, the tumors form around the eyes and it cuts off their vision and then they starve.

**RATHER (VOICE OVER)**

**MORRETTI CAN ONLY TREAT THE SYMPTOMS WHILE RESEARCHERS KEEP LOOKING FOR THE CAUSE. AND THE CLUES ARE OUT THERE ON THE REEFS, WHERE COMMERCIAL DIVER RICK TROUT SEES MANY MARINE SPECIES IN A RACE AGAINST TIME.**

**TROUT**

You go out to some of the reefs that you saw 20 years ago and it's depressing. It's, it's not what you wanted to see you want to see things get better. But unfortunately, we've seen things get worse down there. Compared to the- 20-25 years ago there are many of us that have gone out to the reefs and seen that the colors, the vibrancy of the water, and those colors, just get muted away by all the algae that ends up covering the colors and strangling the actual little coral creatures.

**RATHER (VOICE OVER)**

**SCIENTISTS ARE DESPERATE TO DO SOMETHING AS THEY SEE THE CORAL DIE BEFORE THEIR EYES. A CORAL THAT IS NEEDED BY A QUARTER OF THE CREATURES OF THE SEA. A CORAL THAT IS ESSENTIAL TO LIFE IN THE OCEANS.**

**LAPOINTE**

This reef was the most beautiful part of Florida when I first saw it in the late 1970's. And it looked vastly different than it looks today, and it really rips my heart out to come back to see these reefs I knew as a child and see them - it looks like they've been vandalized, you know, burglars came in and stole all the fish and coral. They're just, you know, a very small fraction of the resources left today.

**RATHER (ON CAMERA)**

**SINCE WE FIRST BROADCAST THIS STORY, THERE'S BEEN ACTION TO PROTECT THE CORAL REEFS. THE FLORIDA LEGISLATURE HAS JUST PASSED A BILL THAT MANDATES THAT NUTRIENTS IN THE SEWAGE PIPES BE REDUCED GRADUALLY OVER THE NEXT DECADE. THE PIPES ARE TO BE CLOSED FOR GOOD IN 2025.**

## **HEALTH CZAR:**

RATHER (ON CAMERA)

FOR OUR NEXT STORY, WE'LL GIVE YOU A LOOK AT A DOCTOR WHO'S TRYING TO MAKE NEW YORK THE HEALTHIEST CITY IN AMERICA. HE'S TOM FRIEDEN – THE HEALTH COMMISSIONER OF NEW YORK CITY – AND HE MAY BE THE BOLDEST, MOST AGGRESSIVE HEALTH OFFICIAL ANYWHERE. HE DOESN'T JUST LOOK OUT FOR DISEASES - HE'S DETERMINED TO KEEP PEOPLE FROM GETTING THEM IN THE FIRST PLACE.

TOM FRIEDEN

The sad fact is that most public health agencies in this country, and around the world, spend most of their time and money dealing with diseases and conditions that killed people a hundred years ago, but don't concentrate on what's making us sick today.

RATHER (VOICE OVER)

TOM FRIEDEN COMBINES THE BUREAUCRATIC EFFICIENCY OF A PUBLIC SERVANT WITH THE MORAL CERTAINTY OF A CRUSADER. WITH THE SUPPORT OF HIS BOSS, MAYOR MICHAEL BLOOMBERG, HE'S USING THE TOOLS OF GOVERNMENT TO PROMOTE HEALTHY BEHAVIORS, AND DISCOURAGE -- EVEN OUTLAW -- UNHEALTHY ONES. FRIEDEN SAYS AMERICA IS FACING A HEALTH CRISIS, ONE OF OUR OWN MAKING.

RATHER

What's making us sick today?

FRIEDEN

Tobacco, first and foremost, obesity, diabetes, lack of access to physical activity, low physical activity levels, also a variety of things relating to alcohol...

RATHER (VOICE OVER)

FRIEDEN SAYS GOVERNMENT SHOULD ENCOURAGE PEOPLE TO LIVE HEALTHIER LIVES. BUT SOMETIMES ENCOURAGEMENT ISN'T ENOUGH. AN EPIDEMIOLOGIST BY TRAINING, FRIEDEN WAS FIGHTING TUBERCULOSIS FOR THE WORLD HEALTH ORGANIZATION IN INDIA WHEN BILLIONAIRE BUSINESSMAN MIKE BLOOMBERG WAS ELECTED MAYOR OF NEW YORK , AND BEGAN SEARCHING FOR A HEALTH COMMISSIONER.

FRIEDEN

And I said, "My goodness, far and away the leading preventable cause of death in New York City is tobacco. And I know tobacco is really controversial to take on. I don't know anything about this Bloomberg fella." So I told them, "Look – I've looked at the data. It's all about tobacco. If he's willing to take on the tobacco industry, which is very controversial and very few politicians are willing to do it, then it's worth us talking."

RATHER (VOICE OVER)

BLOOMBERG WAS WILLING. HE HAD ALREADY DONATED MILLIONS TO PUBLIC HEALTH EDUCATION, AND WAS A FORMER SMOKER HIMSELF . . . WHO ADMITTED HE'D HAD A HARD TIME BREAKING THE HABIT. SO HE WELCOMED FRIEDEN'S ACTIVIST APPROACH. ONE OF THEIR FIRST STEPS WAS GETTING THE TAX ON A PACK OF CIGARETTES RAISED BY A DOLLAR AND A HALF . . . MAKING NEW YORK CIGARETTES AMONG THE MOST EXPENSIVE IN THE NATION. TO HELP PEOPLE QUIT, THE CITY RAN A SERIES OF TV ADS THAT PULLED NO PUNCHES.

ANTI-TOBACCO COMMERCIAL

I wanted to be a major league umpire. And my dream was coming true. But then I got throat cancer from smoking cigarettes. It almost killed me.

RATHER (VOICE OVER)

BUT THE MOST CONTROVERSIAL STEP WAS A BAN ON SMOKING IN INDOOR WORKPLACES, FRAMED IN TERMS OF THE DANGERS OF SECOND-HAND SMOKE. THE LAW SENT SMOKERS SCRAMBLING TO FIND SOMEWHERE LEGAL TO LIGHT UP. CRITICS SAID IT WAS A CASE OF TOO MUCH GOVERNMENT INTRUSION.

RATHER

But isn't - or is it - a individual responsibility to take care of yourself, to go to the doctor, talk about prevention, not something for the government?

FRIEDEN

When you protect workers from being smoked on with cigarette smoke that's gonna cause them cancer, heart disease, asthma, lung infections, that's not interfering with someone's choices. That's protecting one group of people. I think what - what we really want to do is give a level playing field for individuals to make healthy choices.

ANTI-TOBACCO COMMERCIAL

Every time you smoke, cigarettes are eating you alive . . .

RATHER (VOICE OVER)

SINCE THE ANTI-TOBACCO CAMPAIGN BEGAN, NEW YORKERS HAVE GIVEN UP CIGARETTES IN RECORD NUMBERS – A 20 PERCENT DROP IN THE PAST FOUR YEARS ALONE. SMOKING RATES AMONG TEENS HAVE GONE DOWN BY MORE THAN HALF. AND OTHER CITIES, EVEN ENTIRE COUNTRIES, LIKE FRANCE AND IRELAND, HAVE FOLLOWED NEW YORK'S LEAD. BUT TOBACCO WAS JUST ONE OF FRIEDEN'S TARGETS. HE PASSED OUT EMPTY WATER BOTTLES TO PUSH NEW YORK CITY TAP WATER, INSTEAD OF SODAS LOADED WITH SUGAR. HE'S ENCOURAGING MOTHERS TO BREAST FEED THEIR NEWBORNS. HE'S SUBSIDIZING LOW-FAT MILK AND MAKING FRESH FRUITS AND VEGETABLES AVAILABLE IN NEW YORK'S POOREST NEIGHBORHOODS. HE'S EVEN LAUNCHED THE CITY'S OWN BRANDED CONDOMS, TO ENCOURAGE SAFE SEX – AND GAVE AWAY 36 MILLION OF THEM LAST YEAR ALONE. YOU CAN EVEN ORDER THEM ONLINE.

RICK BERMAN, CENTER FOR CONSUMER FREEDOM

So now we're into New York City customized condoms. Now this has got to be a Saturday Night Live skit.

RATHER (VOICE OVER)

RICK BERMAN IS A WASHINGTON LOBBYIST WHO RUNS THE CENTER FOR CONSUMER FREEDOM. MANY OF HIS CLIENTS IN THE FOOD AND RESTAURANT BUSINESS SAY NEW YORK UNDER TOM FRIEDEN IS BECOMING A NANNY STATE.

BERMAN

You don't know where to stop when you start telling people that the personal choices that they make during their lives are irresponsible. Irresponsible is in the eye of the beholder. And we seem to be capturing more and more decisions and putting them in the irresponsible bucket, and taking the decision-making away from people.

RATHER (VOICE OVER)

IN DECEMBER 2006, NEW YORK BECAME THE NATION'S FIRST BIG CITY TO BAN RESTAURANTS FROM USING TRANS-FATS, AN ARTERY-CLOGGING SUBSTANCE THAT HELPS PRESERVE FOOD AND IMPROVES THE QUALITY OF BAKING. THE RULES AFFECT EVERY RESTAURANT, DINER AND DONUT SHOP, AND MANY OF THE FOODS NEW YORKERS LOVE TO EAT.

FRIEDEN

Just as if there is typhoid in the water, or typhoid in the food it's the responsibility of government to get it out rather than tell everybody, "You know, ask your waiter whether there's any artery-clogging, artificial substance in the product before you order a food." That's absurd.

BERMAN

Trans-fats are not poison. Again, if you put margarine on a bagel, have you made yourself a poisonous bagel? It is so ridiculous. It is so over the top. And that's what these people do. They try to make an issue seem far more significant and far more dangerous, which in turn then justifies their meddling in people's lives.

RATHER (VOICE OVER)

INSPIRED BY NEW YORK'S BAN AGAINST TRANS-FATS, OTHER CITIES FROM BOSTON TO SEATTLE, ARE DOING THE SAME THING.

FRIEDEN

When we began that, people said, "Impossible. Can't do it." Turns out, it's not that hard to do. And more than 50 national chains since we made our move have eliminated trans-fats.

RATHER (VOICE OVER)

ALONG WITH THE BAN WAS A MEASURE REQUIRING THAT CHAIN RESTAURANTS PUT THE CALORIE CONTENT OF THE FOOD THEY SERVE IN PLAIN VIEW, SO CUSTOMERS CAN SEE JUST HOW FATTENING THEIR FOOD REALLY IS. IT'S ALL PART OF FRIEDEN'S WAR AGAINST A GROWING TIDE OF OBESITY AND DIABETES.

FRIEDEN

We've looked at obesity-diabetes, because they're the only health problem in the country that's getting worse. And it's getting worse rapidly. And diabetes follows obesity like night follows day.

RATHER

And to that person who says, "I'm against big government – I don't want the government intruding in my life, I don't want the government telling a restaurant what they can do ... telling Burger King or McDonalds what they can do.

FRIEDEN

We really want the government to do the least it has to do to protect the public. But in the same way-- you need to make sure that certain core functions of government are done well. One of those core functions is making sure that our food and our water is clean and safe.

RATHER (VOICE OVER)

IN APRIL, FRIEDEN SCORED ANOTHER VICTORY WHEN A FEDERAL JUDGE UPHELD THE CALORIE LAW, OVERTURNING A CHALLENGE FROM THE RESTAURANT LOBBY. AND CHAIN RESTAURANTS ACROSS THE CITY BEGAN POSTING THEIR CALORIES IN PLAIN VIEW.

RATHER (ON CAMERA)

THE NEW YORK HEALTH DEPARTMENT HAS A LONG HISTORY OF TACKLING CONTAGIOUS DISEASES, GOING BACK TO THE DAYS WHEN MILLIONS OF IMMIGRANTS CROWDED INTO LOWER EAST SIDE TENEMENTS, BREEDING GROUNDS FOR SICKNESS. BUT IT'S ONE THING TO TAKE ON INFECTIOUS DISEASES LIKE SMALLPOX OR TUBERCULOSIS. IT'S ANOTHER TO TAKE ON CHRONIC DISEASE LIKE OBESITY, DIABETES, AND CLOGGED ARTERIES. CRITICS POINT OUT THAT THESE ARE LIFESTYLE DISEASES, CAUSED BY INDIVIDUAL BEHAVIOR. AS THEY POINT OUT, YOU CAN'T CATCH A HEART ATTACK.

BERMAN

You know, the proper role of public health ought to be the role that it was established for, which was to worry about communicable diseases, cholera, tuberculosis, the list goes on. Today we-- instead of being worried about diseases that can be communicated to you by someone else or the population at large, Frieden anyway has decided that his role is to keep you from making yourself sick, or to make yourself less healthy. And so we've moved from-- a population-wide concern to an individual concern.

RATHER (VOICE OVER)

HERE IN THE SOUTH BRONX, FRIEDEN HAS LAUNCHED ANOTHER CONTROVERSIAL PROGRAM, A PILOT PROJECT, AGAIN THE FIRST OF ITS KIND IN THE COUNTRY. THE SOUTH BRONX IS THE ONLY PART OF NEW YORK CITY WHERE LIFE EXPECTANCY IS ACTUALLY GOING DOWN AND DIABETES IS RAMPANT.

FRIEDEN

It's more than doubled in the past decade. We're seeing a big increase in people having leg amputations, going blind, going onto dialysis, having heart attacks, dying young from diabetes. What can we do?

RATHER (VOICE OVER)

WHAT FRIEDEN HAS DONE IS SET UP A DATA BANK, CALLED A REGISTRY, WITH INFORMATION ON EVERY PERSON WHO SUFFERS FROM DIABETES. EVERY TIME SOMEONE IN THE SOUTH BRONX HAS THEIR BLOOD SUGAR TESTED, THE RESULTS, ALONG WITH THAT PATIENT'S PRIVATE INFORMATION – THEIR NAME, AGE, AND ADDRESS - ARE AUTOMATICALLY SENT TO THE DATA BANK – WITHOUT THE PATIENT'S CONSENT. THE HEALTH DEPARTMENT THEN CONTACTS THE PATIENT'S DOCTOR . . . AND SUGGESTS WAYS THE DOCTOR CAN HELP MANAGE THE DISEASE. PATIENTS CAN VOLUNTARILY ASK THAT THEIR DOCTORS NOT BE CONTACTED, BUT IT'S BUREAUCRATICALLY NOT SO EASY TO DO.

DEBORAH PEEL, PATIENTS PRIVACY RIGHTS

In some ways it's laudable that the Commissioner wants to help people with this disease that aren't doing well, but the way of doing it is-- is so incredibly Big Brother.

RATHER (VOICE OVER)

DEBORAH PEEL IS A PSYCHIATRIST AND HEAD OF PATIENT PRIVACY RIGHTS, AN ADVOCACY GROUP IN AUSTIN, TEXAS.

PEEL

Public health has never been, so far, in the business of surveilling and tracking people with chronic diseases.

RATHER (VOICE OVER)

PEEL SPENDS A LOT OF TIME IN WASHINGTON, FIGHTING MEASURES SHE SAYS UNDERMINE MEDICAL PRIVACY.

PEEL

I think privacy is an essential human need. I mean, people are always very uncomfortable when strangers know things about them that they shouldn't. And technology has made possible all kinds of strangers knowing way too much about us.

RATHER (VOICE OVER)

DR. FRIEDEN AGREES THAT THE HEALTH SYSTEM SHOULD PROTECT PRIVACY, WHEREVER POSSIBLE.

FRIEDEN

But at the same time, if we're paralyzed and we say, "You know, we have this information about people who-- may lose their leg, or go blind and we're just not gonna do anything 'cause just too risky," that's a problem, too.

RATHER

And to that person who says, "But I gotta tell you, "When it comes to my health, I want it to be between me and my doctor. I don't want City Hall involved in-- in any in this." You say what?

FRIEDEN

Well, you pay for-- for medical care, but the government also pays for medical care. And the government has an interest in preventing preventable illness.

BERMAN

Now the question is, who's gonna draw the line and where is the line going to be drawn? And the individual in this case may have no right to draw the line, because once you go and seek medical attention for some problem, it may be that the bureaucracy requires that the doctor or the hospital then deposit your information in this registry. I don't think people understand that we may be getting to that point in time. And-- and I don't think that people are going to be happy about it.



## FRIEDEN

The core of our approach here has been to do what's rigorously proven to work to save lives. If it's controversial, that's unfortunate. I'd rather it not be controversial. Our approaches are rigorously based on data. I'm an epidemiologist by training, and an infectious disease physician. I wanna know that the treatment we propose, that the policy we propose, has the best possible chance of working, based on rigorous evidence. If it doesn't, we shouldn't be pushing it.

RATHER (ON CAMERA)

AND THAT'S OUR REPORT FOR TONIGHT. FROM NEW YORK, FOR HDNET,  
DAN RATHER REPORTING. GOOD NIGHT.