

GE: When General Electric Becomes Government Electric

Ronald Reagan's Old Employer Becomes Barack Obama's Corporate Spokesman

By Fred Lucas

Summary: General Electric (GE) is far too cozy with the Obama administration. Its affection for big government programs that allow it to receive huge taxpayer subsidies is nothing new, but its closeness to President Obama ought to worry Americans.

Images of the 40th president of the United States appear on the television screen and a voice says, "Long before he changed the world, or led a nation, or governed a state, Ronald Reagan inspired our company."

The company is GE and the voiceover refers to the host of "General Electric Theater," a popular TV series from 1954 to 1962, a time when Ronald Reagan visited 139 GE research and manufacturing plants.

"He walked the plant floors, toured offices and met over 250,000 individual employees, honing his renowned communications skills and leaving a unique legacy that continues to inspire our company today," the GE website says.

The ad is part of a two year-long Ronald Reagan Centennial Celebration. GE is its financial sponsor and it is funding media advertisements and film tributes, a new theater and other facilities upgrades at the Ronald Reagan presidential library, and a



Ronald Reagan was an outspoken critic of Big Government. He would never have approved of General Electric's crony capitalism and support for socialist health care.

GE/Reagan Foundation Scholars program offering 200 four-year college scholarships of \$10,000 a year.¹ In February, GE hosted a glamorous party at the Ronald Reagan Building in Washington, D.C. to commemorate Reagan's 100th birthday. It included a panel discussion on the late president's legacy that was moderated by NBC's Tom Brokaw.

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GE's ad campaign features many famous film clips—"Mr. Gorbachev, tear down this wall" and "We have a rendezvous with destiny"—but missing is a famous line from President Reagan's 1981 inaugural address: "In this present crisis, government is not the solution to our problem; government is the problem."

One wonders, What does GE think of President Reagan's address? And what would Reagan think of his old employer today?

How to "Reset" the Economy

Shortly after Barack Obama became president, GE issued its annual report featuring a letter to company shareholders from its CEO, Jeffrey R. Immelt. Like Reagan, Immelt had given considerable thought to the role of government.

"The global economy, and capitalism, will be 'reset' in several important ways," Immelt wrote. "The interaction between government and business will change forever. In a reset economy, the government will be a regula-

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tor; and also an industry policy champion, a financier, and a key partner."²

"Regulator," "Industry policy champion," "Financier," "Key partner"? That's not even close to the views of the president who said, "government is the problem."

But Barack Obama may have noticed the letter because within two weeks of his inauguration he appointed Immelt to his President's Economic Recovery Advisory Board (PERAB). Immelt joined PERAB's chairman, Paul Volcker, AFL-CIO president Rich Trumka, green venture capitalist John Doerr, Clinton economic adviser Laura Tyson and others in counseling the president on how to jump-start the economy.

This year, on January 21, Obama singled out Immelt by naming him chairman of the President's Council on Jobs and Competitiveness, PERAB's successor. Obama traveled to a GE facility in Schenectady, N. Y., where Thomas Edison founded the company in 1892, to praise his new appointee. Schenectady is the current home of GE's Energy Power and Water division and future home of the corporation's advanced battery division.

"Jeff is somebody who brings a wealth of experience to the table," Obama said. "He

is one of the nation's most respected and admired business leaders, and that's a reputation he earned over 10 years at the helm of this company."

The president touted his administration's agenda, emphasizing the need for more spending on so-called green energy and infrastructure, in which government rather than the private sector takes the lead in promoting jobs and investment.

"I know this council will be an important asset as we seek to do everything we can to spur hiring and ensure our nation can compete with anybody on the planet," Obama continued. "That means spurring innovation in growing industries like clean energy manufacturing, the kind of stuff that's being done right here at this plant; ensuring our economy isn't held back by crumbling roads and broken-down infrastructure."

Immelt replied, "It is a great honor to host President Obama at our historic Schenectady facility. Our investments and commitment to innovation drives everything we do."

Immelt's personal coziness with Obama is a natural outgrowth of his company's dealings with the federal government. GE has "evolved." The firm that once sponsored

Ronald Reagan's plant visits to remind workers of the benefits of a free market has made itself the foremost proponent of corporate statism.

Today GE is a corporation that wallows in taxpayer subsidies, profits from government industrial policies, and willingly replaces unsubsidized employment with government-funded work. GE's corporate policies and practices highlight the difference between being pro-business and pro-free market.

Speaking at an Export-Import bank gathering in 2010, Immelt was quite brazen about his dreams of corporate statism.

"For so long, we've said, 'It just doesn't matter. Let whatever happens happen,'" Immelt said, presumably referring to a free market. But Immelt contended that the U.S. should be more like Germany, "The companies roam as a pack. They stick together. And the government supports the companies to be exporters."³

The Ex-Im bank is a government agency whose mission is to help large and small business. But while it claims to promote free trade, critics say it subsidizes trade. The bank lends money directly to foreign companies and governments and guarantees bank loans so that foreigners will buy U.S. products.

A June 2010 Ex-Im board meeting shows how the agency mainly benefits big business. One federal guarantee went to JP Morgan to subsidize a Boeing aircraft sale to Turkey's Pegasus Airlines; another loan guarantee went to Boeing to sell jets to Asiana Airlines; \$20 million in financing subsidized GE turbines for Slovakia; a direct loan of more than \$20 million helped the government of Pakistan buy GE locomotives; and yet another Boeing subsidy guaranteed jet sales to Nigeria.⁴



President Obama and Jeffrey Immelt (right) at a meeting of the Economic Recovery Advisory Board in the White House, May 2009.

Tim Carney, the nation's top journalist in covering the nexus between big government and big business, has called GE "the for-profit arm of the Obama administration."⁵

Why Did GE Give Up NBC?

GE's collaboration with federal agencies suffered a setback recently when the Republican-controlled House of Representatives cut funding for a jet engine project that Defense Secretary Robert Gates said was costing taxpayers \$28 million per month. "We consider it an unnecessary and extravagant expense, particularly during this period of fiscal contraction," Gates told the House Armed Services Committee in recommending the funding cut over the objections of top congressional leaders in both parties.

But that aside, GE has been doing just fine at the government trough, even when left-wing groups oppose its plans.

Consider, for instance, the NBC Universal—Comcast merger. Last June, the group Free Press, the Media Access Project, Consumers Union and the Consumer Federation of

America filed a "petition to deny" with the Federal Communications Commission, calling for the rejection of Comcast's proposed acquisition of NBC Universal from GE.

"The anti-competitive impact of this merger runs wide and deep. The result would be higher prices, fewer choices and diminished media diversity," Free Press policy counsel Corie Wright said in June 2010. "Approval would allow Comcast to own a huge array of popular programs and enable it to exert undue influence over the distribution of those programs on the airwaves, cable and the Internet."⁶

But Comcast and GE got their way. Reportedly it was because they made a deal with minority groups—namely the NAACP, the National Urban League, and Al Sharpton's National Action Network—to designate four new channels "in which African Americans have a majority or substantial ownership interest," and to spend \$20 million within six months of the merger closing for a program to expand opportunities for "minority entrepreneurs." In addition, Comcast and

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NBC Universal agreed to allow the groups to have a say over news content.

Comcast and GE also appeased Hispanic and Asian groups by agreeing to launch at least 40 Spanish language channels and networks airing Asian movies.

These moves were apparently enough to satisfy the FCC, which approved the merger creating a new Comcast-owned company, NBCUniversal (NBCU). “NBCU will strive to ensure the presentation of diverse viewpoints by seeking the expanded participation of minorities on its news and public affairs programming,” the network said in a letter to the civil rights groups. “To advance this goal, NBCU will consider suggestions from the African American Advisory Council of individuals who could be considered for such participation.”⁷

The deal worked for GE, and many suspect Comcast management wanted minority backing as cover to dump the rabidly left-wing partisan Keith Olbermann from its MSNBC cable network subsidiary. MSNBC is known as the “I felt this thrill go up my leg” network—a reference to liberal commentator Chris Matthews’ on-air reaction to a 2008 speech by candidate Obama. MSNBC still employs liberals like Matthews and Rachel Maddow, but none are quite as over-the-top as Olbermann.

Keep in mind that Tea Party favorite Rick Santelli works for a sister network CNBC, the business channel. In 2009 CNBC’s supposedly conservative political tone had prompted Immelt and NBC Universal President Jeff Zucker to call a meeting of the network’s on-air personalities during the first year of the Obama presidency.

“There was a long discussion about whether CNBC has become too conservative and is

beating up on Obama too much,” one attendee told the New York Post. “There’s great concern that CNBC is now the anti-Obama network. The whole meeting was really kind of creepy.”⁸

Who can say for sure what GE’s motives were for parting company with NBC and whether NBC News will be less pro-Obama under new Comcast management? What’s certain is that NBC is no longer under the control of GE, a corporation that has a vested interest in Obama’s big government agenda.

GE: Bringing Jobs to Life--Not

GE management was a big winner when the Obama administration began handing out grants from its \$787 billion “stimulus” bill. But GE employees were not winners. The massive spending bill was intended to spur job growth, but GE actually *decreased* U.S. based employment by 18,000 workers according to the company’s 2009 annual report. At the end of 2008, GE employed 152,000 U.S. workers. But at the end of 2009, according to the report, it employed only 134,000 U.S. workers, a decline of 18,000.

GE’s Global Research Center got \$24.9 million in grants from the American Recovery and Reinvestment Act, according to records posted on Recovery.gov. The company was the primary recipient of 13 stimulus grants. Nine grants were issued by the Energy Department, three by the Department of Health and Human Services, and one came from the Commerce Department. On four other grants, the primary recipient of federal stimulus money hired GE as a contractor.⁹

The blame for GE’s job losses shouldn’t lie with the company. GE has an obligation to its shareholders, and it can’t be in the business of turning down potential sources of revenue even if it is from taxpayers. Moreover, it can’t be expected to add jobs that do not

meet its bottom line. Nonetheless, GE’s job losses illustrate the gap between rhetoric and reality. The Obama stimulus that GE lobbied for did not increase the company’s net U.S. workforce. Rather, it helped to cement the close relationship between the corporation and the federal government, the CEO and the president.

Immelt’s appointment to chair the Obama jobs council has drawn howls of protest from both sides.

Fox News talk show host Glenn Beck asked, “Why would the president pick him?” He noted, “Five out of every six jobs GE creates are created overseas. Since he took over at GE, they have lost, lost 34,000 [US] jobs.”

Meanwhile at the Huffington Post, former CBS News anchor Dan Rather found it ironic that Immelt “noted that the capital region of New York was the birthplace of GE and home to 7,000 employees...What wasn’t mentioned is that 7,000 is a small percentage of the 40,000 workers that GE once had in the region.”¹⁰

A Tale of Two Cities

The fate of two company plants in Kentucky points to how GE’s policies take advantage of government subsidies and undermine free enterprise.

Speaking last year at the GE Appliance Park in Louisville, Kentucky, Vice President Joe Biden praised the company’s highly subsidized hybrid electric water heaters as part of the “new foundation for a new economy.” Biden chided “those who talk about ‘This is Big Government.’” He went on to boast, “This is Big Government giving a little bit of help to jump-start America to lead the world in the 21st century.”¹¹

But Biden was nowhere to be found when

the GE Kentucky Glass Plant in Lexington shut down. The Lexington plant employed about 175 workers who made glass for GE's Winchester light bulb plant. Because of a forthcoming federal ban on the kind of incandescent light bulbs invented by Thomas Edison, GE's founder— in favor of compact fluorescent bulbs to be mostly manufactured in China— GE closed both its Winchester and Lexington plants. In all, about 500 GE jobs were lost in Lexington, Winchester and Niles, Ohio, because of environmental regulations that GE supported, according to the Washington Examiner. In effect, taxpayer-subsidized GE jobs in Louisville replaced market-based jobs in Lexington and Winchester.

GE's news release on the Winchester closing highlighted its about-face: "A variety of energy regulations that establish lighting efficiency standards are being implemented in the U.S. and other countries, in some cases this year, and will soon make the familiar lighting products produced at the Winchester Plant obsolete."¹²

The GE-Government Nexus

The Free Enterprise Action Fund, a mutual fund that owned stock in GE, has called Immelt one of the "five worst non-financial-crisis related CEOs of 2008." It noted that GE was "forced to raise \$15 billion to assist GE Capital, its ailing finance unit," that the Federal Deposit Insurance Corporation guaranteed up to \$139 billion in GE debt, and that GE's triple-A bond rating was in trouble.¹³ What's more, GE's dividend was cut and its stock price halved during Immelt's 10 years as CEO.¹⁴

Why would President Obama pick Immelt to help the administration create jobs?

The obvious answer: GE has been an ally of the administration, lobbying Congress and the public from its Washington, D.C.



Tim Carney

headquarters at 13th Street and Pennsylvania Avenue, just blocks from the White House.

GE has contracted with some of Washington's most prominent lobbyists and its biggest lobbying firms. Gibson Dunn & Crutcher, Akin Gump Strauss Hauer & Feld, the Nickles Group, Sullivan & Cromwell, and Ernst & Young are as familiar in Washington as they are obscure throughout the rest of America. Better known are former Senate Republican Whip Don Nickles; Linda Daschle, wife of former Senate Majority Leader Tom Daschle; and the former House Democratic leader Dick Gephardt, all prominent GE lobbyists. Townhall magazine estimates GE spends \$163,636.36 on lobbying activity each day that Congress is in session.

GE's vested interests in the Obama administration go well beyond energy policy. One of the first bills President Obama signed after taking office provided federal funding for embryo-killing stem cell research, a program that buttresses GE's partnership with the stem cell research firm Geron.

Linda Daschle has lobbied on GE's behalf for high speed rail for freight and for Amtrak, Joe Biden's favorite program.

In a "Dear Colleagues" e-mail GE executive John Rice urged GE employees to contribute to the company's political action committee, GEPAC. He emphasized that the company benefits from officeholders who support business regulation and subsidies.

"The intersection between GE's interests and government action is clearer than ever," the Rice e-mail said. "GEPAC is an important tool that enables GE employees to collectively help support candidates who share the values and goals of GE. While we must continue to engage elected officials to help them better understand our various businesses and how legislation affects our company and our customers, we must also make sure that candidates who share GE's values and goals get elected to office."¹⁵

The letter continues, "On climate change, we were able to work closely with key authors of the Waxman-Markey climate and energy bill, recently passed by the House of Representatives. If this bill is enacted into law it would benefit many GE businesses." The global warming bill sponsored by Reps. Henry Waxman (D-Calif.) and Ed Markey (D-Mass.) was a key part of GE's legislative agenda. Had it been enacted into law, Waxman-Markey would have imposed massive and punitive controls on energy use.

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Many companies fear environmental regulation, but GE expects to be enriched by it.

GE created a company called Greenhouse Gas Services (GHGS) in a joint venture with the energy company AES. Had the Waxman-Markey global warming bill become law, GHGS would have been positioned to be the largest dealer of carbon dioxide offsets in the world. The bill, which created a government-imposed pseudo-market for trading carbon offsets, passed the House of Representatives in 2009, but stalled and died in the Senate in 2010. Had an unholy alliance of environmental extremists and corporate interests such as GE gotten their way, federal law would have made carbon dioxide a salable commodity, enabling GHGS to turn a big profit.

GE is a leading member of the U.S. Climate Action Partnership (USCAP). This lobbying coalition includes the Environmental Defense Fund, Natural Resource Defense Council and the Pew Center on Global Climate Change. It also includes Ford, Chrysler, Dupont, Shell, and Duke Energy. USCAP laid out its blueprint on Jan. 15, 2009, just five days before Obama assumed office, calling for requiring an 80 percent reduction in emission levels by 2050 and – surprise – allowing greater use of carbon offsets.

GEPAC, GE's political action committee has favored Democrats over Republicans during the last two elections. In the 2010 election cycle, GEPAC contributed \$918,250 to Democratic candidates, or 60 percent of its \$1.5 million in campaign contributions, according to the Center for Responsive Politics. In 2008, GEPAC contributed \$719,350 to Democratic candidates, or about 52 percent of \$1.3 million in donations.

Working with the Enemy

GE is not reluctant to seek favors from other governments besides the United States. Its business dealings with Iran and, earlier, with

Saddam Hussein's Iraq should make it blush with shame.

In 2006 the Securities and Exchange Commission asked GE why it did not disclose its business with Iran. GE reportedly sold critical infrastructure to Iran for non-military reasons.¹⁶ The company issued a purely public relations response: "The issue of whether to conduct business in certain countries is



complex," a July 2006 statement said. "We must take into account not only the views of the U.S. government but all relevant stakeholders."

A more thorough report the following year attempted to justify GE's work with Iran. The report said that GE "sold or otherwise distributed" products and services that included "power generation systems and parts, oil and gas equipment, power control/supply and lighting products in Iran" to "private companies, government-owned electrical utilities and refineries, the Ministry of Oil, public/private hospitals and universities." The deals were entered into before February 2005, the report stated. That would be before President Mahmoud Ahmadinejad took power and before the country's nuclear ambitions became such a pressing concern.

In a letter to the SEC, GE stated that in February 2005, it "would not accept any new orders for business in Iran unless we obtain a license from the U.S. Government to conduct business aiding humanitarian and other efforts. Our foreign subsidiaries had determined to fulfill obligations under existing orders and contracts."

In March 2008, GE notified shareholders that virtually all its business with Iran had ended and "even before we pulled out, our business in Iran was very small and in full compliance with U.S. law."¹⁷ GE faced no penalty for its business with Iran.

However, the SEC fined the company \$23.4 million for its involvement in the infamous oil-for-food scandal in neighboring Iraq. In a civil complaint filed in U.S. District Court last July the SEC said GE subsidiaries gave cash, computers, medical supplies and other goods worth \$3.6 million to the Iraqi health and oil ministries between 2000 and 2003. The SEC complaint said these were kickbacks in return for contracts to supply medical and water purification equipment under the United Nation's oil-for-food program.¹⁸

In fairness, GE only owned two of the four subsidiaries involved in the scandal before 2003, when the U.S. toppled Saddam's regime.

The U.N. program, instituted in 1996, was supposed to allow Iraq to sell oil in exchange for humanitarian aid and medical supplies intended for Iraqis. Despite sanctions imposed on the country, then under Saddam's dictatorship, it was meant as humanitarian assistance. But the SEC found that Iraqi ministries demanded 10 percent kickbacks, and several U.S. and foreign corporations were implicated in the scandal.

“So this whole episode, frankly, is the biggest financial scandal of modern times, the Oil for Food scandal, and the fact that GE, a huge American company, a household name, was involved in the scandal is hugely shameful for GE. And I think a tremendous embarrassment for the corporation,” observed Heritage Foundation senior fellow Nile Gardiner.¹⁹

The company “failed to maintain adequate internal controls to detect and prevent these illicit payments,” said Cheryl Scarborough, head of the SEC’s Foreign Corrupt Practices Act unit.

GE did not contest the findings, and agreed

to pay a \$1 million penalty and give up \$22.5 million in profit and interest earned from the transactions.

This was GE’s second such fine in less than two years. In 2009, GE had to pay a \$50 million SEC fine for misleading investors in 2002 and 2003. The SEC determined the company’s accounting policies for hedging commercial paper and transactions of its rail units were intentional violations of anti-fraud law.²⁰

Still, these are bumps in GE’s otherwise smooth dealings with federal agencies, and CEO Jeff Immelt’s growing close ties to President Obama should further lessen fric-

tion between the company and the federal government. Too much is at stake.

But members of the business community, including the U.S. Chamber of Commerce, are mistaken if they believe that Immelt’s appointment (in the Chamber’s words) is “a promising step toward a renewed focus on creating jobs, boosting economic growth, and enhancing America’s global competitiveness.”

GE is a corporation that finds the form and substance of President Obama’s governance more than acceptable. It is a big business that finds free enterprise antiquated. GE seeks to “reset” the economy to fit the Obama administration’s idea that government is always the solution. And that would anger GE’s old employee, Ronald Reagan.

Fred Lucas is White House correspondent for Cybercast News Service (CNSNews.com).

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Your contribution to advance our watchdog work is deeply appreciated.

Many thanks.

Terrence Scanlon
President

ENDNOTES

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Senior Democratic operatives are putting together a “super PAC” that can raise unlimited funds to support or attack candidates. Advisers to Senate Majority Leader **Harry Reid** (D-Nev.) are involved in the planning, the Politico reports. The new entity, **Majority PAC**, is based on **Patriot Majority PAC**, “which ran bruising TV ads against tea party candidates like Reid’s opponent **Sharron Angle** last year and mocked one of his prospective challengers, **Sue Lowden**, for suggesting she’d be open to bartering chickens for health care.” Democrats are organizing now because they’re nervous about their prospects for the 2012 election and about independent Republican-leaning PACs whose fundraising prowess is growing. Next year in the Senate Democrats will need to defend 23 seats compared to the 10 Republicans will defend.

The subject of a piece of **George Soros**-funded celluloid agitprop is suing the **New York Times** for libel. **Brandon Darby**, who helped the FBI defuse a plot to attack the 2008 Republican National Convention with Molotov cocktails, is suing because the newspaper falsely claimed he had participated in the criminal conspiracy. Darby’s heroism helped put two radical left-wing terrorists in prison, yet reporter **James C. McKinley Jr.** wrote that Darby had “encouraged” the plot that in reality he undermined. The trial judge even made a specific finding that defendant **David Guy McKay** who made the claim obstructed justice by saying Darby had induced him to manufacture the bombs. The judge added extra time to McKay’s sentence to punish him for lying. The left-wing film *Better This World*, which tries to paint Darby as an *agent provocateur* attempts to rehabilitate McKay and his partner. Funded with a grant from the Soros-funded **Sundance Institute**, the documentary premiered last month at the South by Southwest Film Festival (SXSW) in Austin, Texas.

The **University of Arizona** said it will create a national institute on civility inspired by the deadly shooting rampage that left Rep. **Gabrielle Giffords** (D-Ariz.) with a traumatic brain injury. Former presidents **Bill Clinton** and **George H.W. Bush** have agreed to serve as honorary chairmen for the **National Institute for Civil Discourse**, which will “focus on research, education and policy about civility in public discourse,” USA Today reports. Former Supreme Court Justice **Sandra Day O’Connor** and former Senate Democratic leader **Tom Daschle** will be the organization’s co-chairmen. Of course there is no evidence that civility, the lack thereof, or politics for that matter motivated suspect **Jared Loughner** to pull the trigger.

The watchdog group **Judicial Watch** reports that taxpayer-subsidized left-wing group **National Council of La Raza** has added seven new affiliates to its network of 300 community-based groups. One of those organizations is a publicly funded high school called “El Colegio” (or in English, The School) in Minneapolis that has a curriculum chock full of simmering ethnic resentments. The public charter school promotes the radical Chicano movement known as “reconquista,” which calls for the American southwest to be returned to Mexico and for non-Mexicans to be forcibly deported.

After promising to improve government transparency, just past halfway through **President Obama**’s term the administration is going out of its way to fend off Freedom of Information Act requests. This administration has put the kibosh on one third of FOIA requests. There were 544,360 requests in 2010 from the 35 biggest agencies, an increase of almost 41,000 requests over the previous year, but the government answered more than 12,000 fewer requests. **Anne Weismann**, chief counsel at **CREW** (Citizens for Responsibility and Ethics in Washington) said federal officials lack the resources they need to deal with FOIA applications. If federal spending drops, those officials will “be asked to do more with less,” she said.