

The Political Forum

*A review of social and political trends and events
impacting the world's financial markets*

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THEY SAID IT

This week, I thought I would expound upon a theory that I have been considering for quite some time now; namely, that the late 20th century is the single most corrupt period in U.S. history. If this theory of mine is correct, and I should stress that this is only a theory, the consequences could be of more than passing interest to the financial markets, since rampant corruption would likely result in one of two outcomes, and neither is good for stocks or bonds.

The first would be that the corruption escalates endlessly, and the United States turns into a giant version of a South American banana republic, where the government, entire industries, the financial community, and the judicial system are all dominated by crooks. It doesn't take a rocket scientist to understand that U.S. financial markets, the greatest in the world due in large part to their widespread reputation for integrity, would suffer under this scenario.

The second, more optimistic outcome, would be an extended period of astonishing revelations of wrong doing in very high places. This would lead to a series of purges that could rock the markets, as adjustments are made to bring stock and bond prices into line with the new reality.

Mark L. Melcher, "Is The Bezzle Getting Bigger? And If So, So What?" Prudential Securities, *Strategy Weekly*, October 9, 1996.

SOME THOUGHTS ON CORPORATE CORRUPTION. I have been reading and listening to a great deal of commentary of late on what is popularly called "corporate malfeasance." This is an important subsection of a topic that has interested me for quite some time, namely the deterioration in the moral and ethical tenor of American society.

Looking back over my past writings, it appears that the first time I brought this up in print was almost seven years ago in the piece quoted above. The word "bezzle" in that piece, by the way, came from John Galbraith's terrific little history book, 1929, *The Great Crash*. It is defined as "the inventory of undiscovered embezzlement" that exists at any given time in an economy.

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I don't want to dwell on the details of that article here. (My hope is that some day I will get a website and be able to post old articles like this one when it is appropriate.) But basically, the piece began with Galbraith's contention that the bezzle grows during good times, when people are "relaxed, trusting and money is plentiful," and shrinks during depressions when money is "watched with a narrow, suspicious eye."

At that point Galbraith made a very astute observation, namely that "one of the uses of depression is the exposure of what auditors fail to find." Substitute the word recession here for the word depression and one finds an excellent explanation for why the corporate vermin is emerging from under the rocks at this particular point in time.

But this is, I believe, only part of the explanation for the on-going collapse of corporate integrity. A more important piece to the puzzle, in my opinion, has to do with a fierce battle that has been going on within American society since the 1960s between two competing moral systems.

I wrote extensively about this competition during my years at Prudential, and while I can't elaborate on this highly complex subject in this short space, I will offer the following from another old *Strategy Weekly* article I wrote, which gives a basic outline of the conflict that I think is integral to the corruption debate. This one, dated April 8, 1998, was entitled "Let The Big Dog Run."

One side in this conflict can be described as traditional Judeo-Christian. The foundation of this belief system was established some 3,300 years ago with the receipt of the Decalogue by Moses at Mt. Sinai. Besides Old and New Testament teachings, interpreted and clarified by such scholars as St. Augustine and St. Thomas Aquinas, who integrated Platonic and Aristotelian concepts respectively, this system embraces a host of traditions, customs and mores that developed in Western society over many centuries. It is supported by a rich heritage of art and literature, and historic struggles, both religious and secular. The twin concepts of "sin" and "truth" help bind this system together.

The opposing system espouses beliefs that are often referred to today as "post-modern." This system is roughly based on the concept that there are no ultimate, overarching truths, and that judgments about right and wrong are little more than the means by which some people control others, or as Nietzsche, an icon of the movement, put it, the outward expressions of will and power

There is no way to measure how many Americans subscribe to, or lean toward, post-modernist thought. But it is surely quite significant, given the large number of people who tell pollsters that it is immaterial to them whether Bill [Clinton, a symptom, not a cause of the problem] did any or all of the things of which he is accused

It is worth keeping in mind that capitalism and democracy eventually become extremely corrupt in societies where ethical and moral guidelines are arbitrary. The late, great Russell Kirk, the founder of modern day American conservatism, made this point brilliantly, as follows.

“A society in which men and women are governed by belief in an enduring moral order, by a strong sense of right and wrong, by personal convictions about justice and honor, will be a good society—whatever political machinery it may utilize; while a society in which men and women are morally adrift, ignorant of norms, and intent chiefly upon gratification of appetites, will be a bad society—no matter how many people vote and no matter how liberal its formal constitution may be.”

In short, I think the breakdown in corporate integrity, which seems to be occupying the nation’s financial gurus today, can be ascribed to a lethal combination of extended good times, in keeping with Galbraith’s thesis, and the astounding growth in the post-modernist movement in the past four decades. It was during the 1960s when this malignant force first sank its roots deeply into American society and began the process, which continues today, of substituting the soft totalitarianism of political correctness for traditional concepts of “right,” “wrong,” “good,” “bad,” “ethical” and “unethical.”

One thing I noticed during my time with large corporations, and from speaking with employees of other such institutions, is that the “human resources” departments of many of these establishments have taken to developing extremely expensive and elaborate corporate programs and advertising campaigns to promote the idea that ethical behavior is an integral part of their corporate culture. But then they base the guidelines that underlie these programs on a specious mishmash of faddish, politically correct dogma that has nothing whatsoever to do with ethics but a lot to do with allowing corrupt executives to substitute “goodness” for honesty.

A lot of people have seen this happening. Few have had the courage to denounce it. And fewer still have had the foresight to understand that, over a period of time, it leads to the promotion of a great many politically correct, but ethically challenged crooks into the higher reaches of American management.

MORE UNINTENDED CONSEQUENCES. Last week, I wrote a piece in which I pointed out that President Bush’s “war against terrorism” is a veritable breeding ground for unpredictable events that will alter the course of world history in major ways that are well beyond the plans of those directing the effort.

I noted that while no one can project with any degree of accuracy all of the many unintended consequences that are likely to occur as a result of this war, a few things are fairly certain, and I went on to discuss one of these, namely that the fourth amendment protection against “unreasonable” government snooping was likely to be a major casualty.

I promised to address other possible unintended consequences in future issues. So this week I thought I would take up one that is particularly worrisome to me. That one relates to the many “entangling alliances,” to use Jefferson’s phrase, that will have to be formed in order for the United States to “uncover terror cells in 60 or more countries,” to use Bush’s phrase.

Without question, this effort will involve America in an endless campaign of cajoling, threatening, promising, and back scratching dozens upon dozens of foreign nations, some who are enemies of the United States and some who are enemies of each other. And before it is over,

I think it is safe to say that the United States will have entered into more “entangling alliances” than even Jefferson, with his extraordinary intellect, could have imagined. And this will mean trouble, with a capital T, to use Professor Harold Hill’s phrase.

Indeed, my guess is that the Bush administration has already cut enough deals with sleazy foreign potentates, from the “royals” in Saudi Arabia to the tribal “war lords” in Afghanistan, to turn the stomach of a jailhouse lawyer. And it is likely that America’s deal cutting is only part of the equation; that the rest of the nations of the world, enemies and friends alike, are merrily cutting deals among themselves in anticipation of the chaos to come. And, according to Bush, this war has hardly begun.

Now you don’t have to be Thomas Jefferson to be concerned about what might happen when the cajoling turns stale, chits for all the promises come due, challenges to the threats begin to surface, and the back scratching doesn’t relieve the itch. Indeed, a review of the days before the beginning of World War I provides a glimpse into the problems associated when everyone in the world is engaging in the fun of forming “entangling alliances.”

But what makes this situation even scarier, in my opinion, is the flowery Wilsonian language that is slowly but ever so surely creeping into presidential statements of policy governing this war, a language that is, I believe, a precise prescription for disastrous unintended consequences.

Words and phrases like “just peace,” “human liberty,” “America’s duty,” “great opportunity,” “replacing poverty, repression, and resentment around the world,” “lifting millions of peoples out of despair and want,” spurt out of the President’s mouth like ink from a squid, raising hopes and expectations far beyond reality and, more importantly, pushing the real purpose of this war, which is protecting Americans from a band of militant Muslim fanatics, ever further into the background.

And finally, the President ventures into territory that is even more treacherous. Declaring that “moral clarity” is essential in this effort, he offers the following words:

“Some worry that it is somehow undiplomatic or impolite to speak the language of right and wrong. I disagree. (Applause.) Different circumstances require different methods, but not different moralities. (Applause.) Moral truth is the same in every culture, in every time, and in every place. Targeting innocent civilians for murder is always and everywhere wrong. (Applause.) Brutality against women is always and everywhere wrong. (Applause.) There can be no neutrality between justice and cruelty, between the innocent and the guilty. We are in a conflict between good and evil, and America will call evil by its name. (Applause.) By confronting evil and lawless regimes, we do not create a problem, we reveal a problem. And we will lead the world in opposing it. (Applause.)”

Now let me get something straight here. I agree with every word in the above paragraph. And I applaud the fact that America’s President feels comfortable stating these truths. But I would

argue that these sentiments and statements do not have, and should not have, anything to do with Bush's war against militant Islam.

There is no lack of "moral clarity" in defending one's country, especially after it has suffered an attack like the one on September 11. And this is not Vietnam. Americans have no need for the fabrication of some sort of grand global purpose or moral crusade to provide an incentive to fight this war. September 11 was purpose enough. The goal of this war should be simply to hunt the enemy down and kill him; destroy his hideouts, whether they be caves in Afghanistan, palaces in Saudi Arabia, or entire countries like Iran and Iraq; and then go home.

If, in the process of fighting this war, the United States can do some good beyond eradicating the ideological scourge called militant Islam that would be good. But none of these "good things" should be, nor need be, put forth as part of the reason for fighting a war that requires the formation of alliances with the likes of Saudi Arabia, Pakistan, and a gang of killers in Afghanistan. There is no "moral clarity" in that, and pretending that there is will, I believe, eventually undermine the effort and lead to even more confusing "entangling alliances."

Opposing evil, supporting good, promoting the concept of absolute moral truth, and eradicating brutality against women, innocent civilians, and lawless regimes are all noble causes that should be pursued by the United States, diligently, humbly, and with prudence, at all times, during war or peace.

But, as history demonstrates, such pursuits can lead to serious trouble when mixed with war and justified, whether directly or indirectly, by the contention that America has some historic world redemptive destiny that it must fulfill on behalf of mankind. This leads to the sin of pride and confuses the roles, as St. Augustine so beautifully pointed out, of the City of God and the City of Man.

I am not arguing here that Bush has stepped over that line. I am simply saying that his speech at West Point raises the possibility that the line might be crossed sometime in the future of this long war, by him or by another president, as an unintended consequence, and that this would have bad consequences.

(This is a highly controversial subject, which, to address properly, would take significantly more space than I have here. For those readers who would like to read a much better, more erudite presentation on this topic, I would refer them to a terrific article by Richard Gamble, an Assistant Professor of History at Palm Beach, Atlantic College. It can be found, along with a great number of other wonderful articles, at www.nhinet.org, the web site of the National Humanities Institute. You will also find there information on how you can make a contribution to this worthy organization. Please do.)

PATRICIA IRELAND, CALL RICHMOND. An open letter to the President of the National Association of Women:

Dear Patty,

I know you are a very busy person. Representing the interests of all of the women in the world has to be a pretty demanding job, I would think. But we Virginia Republicans have an urgent matter here that, I believe, desperately needs your attention.

It seems that the Speaker of the House of the Virginia legislature, a Republican, Mr. S. Vance Wilkins, Jr., got a little carried away recently around a young lady in his presence and, well ahem how do say it you know groped her. Now, much to the chagrin of some of us more, shall we say, enlightened Virginia Republicans, many of the old school, curmudgeonly, Neanderthalic types, like the state's Republican Attorney General, for example, a Mr. Jerry W. Kilgore, are demanding that Mr. Wilkins resign, a demand that we enlightened Republicans, who are more apt than most to endorse the feminist position on such matters, believe denies Mr. Wilkins his right to "one free grope," a right that your organization has, correctly we believe, declared to be sacrosanct to every male. And while I haven't used mine yet, as a 62-year-old, healthy male, I cherish its possession more than I probably should, knowing, as I do, that laying up and worshiping such, shall we say, earthly treasure can be corrupting.

Unfortunately, the group of males that I represent has very little money at our disposal. We aren't, how would you say, poor. But we aren't, how would you say, rich, either. In any case, we can't get your organization \$700,000 in government grants, as Bill Clinton did, in exchange for your support in those trivial complaints against him brought by a bunch of grouchers like Gennifer Flowers, Paula Jones, Monica Lewinsky, Kathleen Wiley, Juanita Brodrick, Dolly Kyle Browning, and a host of "Jane Does." But we can publicly endorse and applaud your position in public forums all over the nation, which should help prove that NOW is an organization that not only cares about women, but men also, which in turn, might open up a whole new source of donations for you.

In closing, I know you are a liberal Democrat, and not disposed to look kindly upon conservative Republicans like me and my friends. But I truly believe that you would like us if you just got to know us. After all, I think it is safe to say that we like many of the same things that you do.

So, with warmest regards, I once again beseech you to come to Virginia and defend man's right to "one free grope." It is, I believe, a right that is under some stress right now, and needs an advocate of your distinction.

Sincerely yours,

Mark Melcher

PS: I've always wanted to ask you this. Is it one free grope per woman, or just one free grope in a lifetime? Knowing the answer to this question would mean a lot to me.

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