

# 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

*“In the next few weeks, you will hear cries of pain, mostly from Saudi Arabia. If the Saudis don’t take action against these people, we will at least make sure they cannot travel outside their home country and cannot do business as usual around the world.”*

A “senior official” in the Bush government, quoted in an October 18 *Washington Post* story about recent intelligence information linking several wealthy Saudi “bankers and businessmen” to donations of “tens of millions of dollars” to al Qaeda “by routing the money through charities and legitimate businesses around the world.”

## CONGRATULATIONS: PRU-SEC’S WASHINGTON RESEARCH GROUP.

I want to take this opportunity to congratulate my good friends and former colleagues at Prudential Securities’ Washington Research office for their first place finish in the Washington category of *Institutional Investor* magazine’s annual poll. This was the team I was proud to play on for 18 great years and I couldn’t be happier for them right now.

I also want to congratulate my friend and fellow University of South Dakota graduate Tom Gallagher for his second place finish. Go Coyotes!

And finally, my congratulations to some of the best friends I have ever had, Ed Garlich, Greg Valliere, and Fred Ross, for their team’s third place showing. It’s all about integrity. Right Fred?

**A GATHERING STORM ON THE NATION’S CAMPUSES.** I could be wrong but it looks to me as though militant Islam may be opening a major new front in its war against the United States. In many ways, this is a difficult argument to make because President Bush has confused the nature of the conflict by his insistence on using the phrase “war on terror,” which promotes the idea that America’s enemy is a ragtag group of fanatical, angry young men driven by nothing more than their shared hatred and desire to kill Americans.

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To grasp the idea that a “new front” is being opened in the war one must discard this notion and come to grips with the fact that militant Islam’s presence in the United States is a multi-faceted, well financed, well organized movement that is actively supported by thousands of individuals of all ages and walks of life, all of whom are committed to and bound together by a complex theologically-based ideology. One must further understand that this movement employs a wide range of tactics, most of which have little or nothing to do with terrorism.

Finally, one must understand that the goals of the vast majority of militant Islamists in America go beyond the simple notion that killing Americans can gain them martyrdom and admittance to some sort of sexual playground in the sky. Even a cursory reading of the movement’s hate-filled propaganda reveals that its real ambitions are much more complex and far-reaching.

Among other things, militant Islam strives to force the United States to abandon all of its interests in the Middle East. Advocates maintain that these regions are “sacred Arab lands” where “infidels” should not be allowed.

Militant Islamists also strive to force the United States to withdraw its support for the state of Israel, so they can more easily hasten the arrival of the “day of judgment,” which will not occur until, as they believe Mohammed said in a hadif, or extra-Koranic statement, “Muslims fight Jews, and Muslim will kill Jews.”

And finally, a long-term ambition of militant Islam within the United States is to turn this nation into an Islamic state. While most Americans would find this to be ridiculous, I would argue that it should be taken seriously, for it is not just a goal but an integral part of the theological foundations of the movement, and will thus dictate many of its future actions.

When viewed from this perspective, it is easy to understand why militant Islam would want to shift the front line of its operations away from mainstream America, where its efforts haven’t been going well since September 11 alerted the citizenry to the fact that something isn’t right with many of the Muslims among them.

Indeed, since September 11, the principal Arab and Islamic organizations that are on the front line of efforts to promote the interests of militant Islam in America have run into some serious roadblocks. Among other things the FBI, the INS, the Treasury Department, as well as a host of state and local law enforcement agencies, have been all over them like a blanket, conducting searches of their offices, checking their books, the citizenship of their members, the activities and travel of their senior leadership, and in some cases, seizing their assets and arresting or deporting their colleagues.

There would also seem to be little question that the hard-won political influence of such groups as the American Muslim Council and the Council on American-Islamic Relations has diminished in the past year, and that television appearances of the high-profile leaders of these and other Islamic groups have not been as effective in gaining sympathy for the Muslim cause.

More importantly, these organizations have been forced to curtail some of their more radical activities, which, in the past, included extensive moral and financial support for such radical

terrorist groups as Hamas, Hezbollah, and the Islamic Jihad; invitations to individuals with direct ties to foreign terrorist organizations to speak at various conferences throughout the United States; aggressive legal representation of Arab-Americans suspected of engaging in terrorist-related activities; and public rallies, marked by hate filled speeches, designed to stir up support for radical Islam among Muslims across America.

So why not shift the emphasis of the movement to friendlier ground? Why not shift it to the nation's campuses where the FBI and other law enforcement agencies are looked upon with suspicion and often impeded, both directly and indirectly, by university officials? Why not move it to where a sophisticated network of Islamic student organizations is already in place to carry on the propaganda war against the "forces of oppression" within the U.S. government; to a place where there is already a large, sympathetic group of left-wing, radical non-Arab and non-Muslim students and professors who are prepared to offer support for any and all anti-Western, anti-American, and anti-Israel rhetoric and actions? Why not, indeed?

So far, there is only anecdotal evidence that there is anything like an organized, orchestrated effort being made to turn American campuses into a public forum for radical Islamic thought and action. But there is no question that something is going on, and there is little question that that "something" is not without direction and purpose.

Harvard President Lawrence Summers mentioned it just over a month ago in an address he delivered at the University's morning prayer services. He called attention to "disturbing evidence of an upturn in anti-Semitism globally," and then referred to "profoundly anti-Israel views [that] are increasingly finding support in progressive intellectual communities."

"Serious and thoughtful people are advocating and taking actions that are anti-Semitic in their effect if not their intent," he said, and offered several examples, including the following two.

- ? Events to raise funds for organizations of questionable political provenance that in some cases were later found to support terrorism have been held by student organizations on this and other campuses with at least modest success and very little criticism.
- ? And some here at Harvard and some at universities across the country have called for the University to single out Israel among all nations as the lone country where it is inappropriate for any part of the university's endowment to be invested. I hasten to say the University has categorically rejected this suggestion.

Last week, the American Jewish Committee issued a press release announcing that "hundreds of college and university presidents across the country are signing onto a statement decrying intimidation on campuses," specifically noting that, "In the past few months, students who are Jewish or supporters of Israel's right to exist – Zionists – have received death threats and threats of violence. Property connected to Jewish organizations has been defaced or destroyed. Posters and websites displaying libelous information or images have been widely circulated, creating an atmosphere of intimidation."

Time will tell how much turmoil this movement will stir up on the nation's campuses. But the one certain thing is that the United States does not need widespread campus unrest at a time when it is at war with a murderous enemy. And this is, of course, why it makes sense that this enemy would be attempting to open a new front in the halls of academia.

**WAR, ECONOMICS, AND POLITICS.** Soon after the upcoming elections, I expect two things to happen. The first is that the United States will launch a military assault on Iraq. If Bush is going to do this, and I assume he is, then he certainly knows that he needs to get going as quickly as possible because, if the action goes poorly, he will have just over a year to get it cleaned up before the next presidential race begins in earnest.

The second thing I expect is for the White House to launch a high profile, high decibel effort to *do something*, or at least appear to be doing something, about the lagging economy. Bush has done an excellent job of keeping public attention away from economic matters in advance of the coming mid-term election, mostly by focusing on terrorism and the pending conflict with Iraq. But that won't work when he runs for reelection in 2004. It will be "the economy stupid," whether he likes or not. If his "war against terror" and his war against Iraq have gone well, then the focus will be on the economy. If these wars haven't gone well, then a bad economy will only make matters infinitely worse for him.

As to the specifics of Bush's economic initiative, I think it will have two major components. The first will center on a package of tax changes designed to help businesses and investors. Among other things, this package will include such proposals as speeding up and making permanent last year's tax cuts, the elimination of the double taxation of dividends, simplifying the depreciation allowance, a capital gains cut, a boost in the amount of losses that investors can take each year, and a hike in the allowed contribution to 401K and other retirement plans.

It is possible that some sort of tax package could pass late next year, although I wouldn't bet the farm on it. Much will depend on how the economy performs and how Democrats perceive the political advantages and disadvantages of providing support for any such changes. In any case, the tax code is going to be subject to considerable debate next year, which will focus attention on some of the issues close to the hearts of the investment community.

The second component of Bush's economic initiative will center on "fiscal responsibility." Bush is two years late on this one, which demonstrates that his commitment to the cause is not great. For this and other reasons, I have little confidence that he will be successful in holding down federal spending next year. But he needs to look as though he is trying if he wants to keep conservatives like me from abandoning him altogether. And he needs to look as though he is trying if he wants to lay the blame on Democrats for the growing fiscal deficit.

So look for some great fights over spending levels on a lot of programs, and possibly a few minor victories, which would be a big deal. Not having seen any cuts in any programs for a very long time, I would greet even the smallest cut in the smallest program with the famous words of Charlie Brown when comforted by Linus, after another losing baseball game, with the old adage that "You win some and you lose some." In his own inimitable fashion, Charlie responded, "That would be nice."

Ironically, Bush's political hand next year would not necessarily be strengthened if the Republicans retake the Senate in November, as I believe they will. He still would not have the 60 votes necessary to force a final vote on an issue. Yet, it would be harder for him to blame Tom Daschle for his inability to get his initiatives through Congress.

Perhaps more important though would be the possibility that the Democrats might blame the loss of the Senate on the leadership of party chairman Terry McAuliffe and replace him. This would be a disaster for Republicans, since McAuliffe is, in my opinion, one of the greatest political assets the GOP has. Not only is he a political naïf, but his presence, like that of Bill and Hillary and their pals, assures that the party will continue to be tainted by the acrid smell of corruption.

**A FEATHERED DINOSAUR IN A ROBIN'S EGG.** I have paid very little attention to the progress of President Bush's proposed legislation to establish a new Department of Homeland Security. In fact, I haven't thought much about it since I said the following in the June 10 newsletter.

I have no strong feelings one way or the other about the creation of the new homeland security department. In the final analysis, the President has the responsibility for protecting Americans from the threat of terrorism, and if he feels that the tools that he needs to accomplish this purpose should be arranged in a certain way in order for him to proceed, then I see no reason to argue, so long as the changes are reasonable.

Every manager of people has had to deal with such requests at one time or another. "Sally can't work unless she has a plant in her office." "Carl needs a window with a view." "Bob likes to have new pencils, sharpened and placed in a row." "Esmerelda wants a goat." One advantage of responding with: "So get it for them and tell them to get to work," is that they have fewer excuses if their subsequent output is "below expectations," so to speak. And so it will be with Bush and his terrorist busters.

Even during the past several months while the Senate was holding up the legislation over the issue of whether the employees of the new department should be unionized, I largely ignored the matter, except to wonder, in passing, whether Senate Democrats might catch some political fallout for failing to pass the legislation should another attack like September 11 occur.

But then I read a piece in the October 8 issue of the *Washington Post* by Dana Milbank, which I have noodled over ever since, and finally decided to pass along this week. According to Milbank, the Brookings Institution's Paul Light, a widely recognized expert on the ins and outs of the federal bureaucracy, feels that this disagreement between the White House and Senate Democrats is "*the leading edge of the most significant change in civil service law since the end of World War II.*"

Now this is not only interesting, but extremely promising, since the change, should it actually occur, would be to weaken rather than strengthen the hand of the federal bureaucracy, a move that would be so profoundly counter to the evolutionary trend toward an ever more powerful bureaucracy, as first identified by Max Weber in the early 1900s, that it would be akin to finding a little feathered dinosaur in a robin's egg. So here's the story as outlined by Milbank, which I now think is worth watching closely in the coming weeks and months.

In the case of homeland security work rules, Bush says Senate Democrats are seeking to take away powers presidents have had for decades. "I will not accept a rollback in the authority that other presidents have had," he said last week, vowing to "protect the prerogatives of the president."

What Bush said was true in a narrow sense. Since 1978, presidents have had the power to exempt parts of the federal workforce from union activity; Senate Democrats, and their labor allies, are trying to take that power away. But in a broader sense, Bush is demanding -- and the House has approved -- powers to rearrange the federal bureaucracy in ways not seen since Congress passed the Pendleton Act in 1883.

"He's asking them to give him sweeping authority that no president has ever had to create a new personnel system from scratch," Light said. The legislation Bush favors would give him the authority to create a "flexible and contemporary workforce" -- and leaving it up to Bush to define that phrase. "This grant of authority he seeks to create a new personnel system is unprecedented," Light said.

If Senate Democrats go along, Bush could get rid of the 15-grade structure of the federal personnel system, in which promotions are based more on seniority than performance. Light suspects Bush would use a merit-based system the Defense Department has developed. Once that was implemented at the Homeland Security Department, the Pentagon could demand a similar arrangement, creating a domino effect that could release all 1.8 million federal workers from government personnel rules, he said.

Light predicted "a full-scale prison break" from the current system. The White House has made it an issue of "trusting the president," he said, but in fact, "it's about the end of an era of an overly cumbersome civil service system."

Hallelujah, says I! Wouldn't that be the cat's meow! Great day in the morning!

**MY NEW HERO, COL. CHARLES De LAET WALDO SIBTHORP.** One of my all-time favorite periodicals is *The Salisbury Review*, which is published in London, and describes itself as a "quarterly magazine of conservative thought." It is always excellent.

Anyway, the recent autumn issue contained an article about the above-mentioned Colonel Sibthorp, who was a member of parliament from 1826 to 1855. He was an eccentric "conservative of conservatives," who lived when England was undergoing profound change, which he despised and railed against in a colorful fashion virtually every day in Parliament.

According to the *Review*, "he spoke in a rambling disconnected manner and had the gift of speaking on any subject but always making the same speech. He was fond of violent personal abuse, and when 'foaming radicals' were speaking would often crow like a cock and bellow like a bull to put them off."

I found the piece hilarious, so I thought I would offer some specific examples of the good colonel's antics, which, although I think we can all agree were obnoxious, still made me wistful for a good old fashioned, maddeningly unreasonable, uncontrollable, colorful reactionary to stir things up a bit during the present day's stampede toward "progress" and "enlightenment."

"He lumped all foreigners together as 'odious and hypocritical' and proposed that a heavy tax should be imposed on them when they entered the country. He carried his hatred of foreigners so far that he managed to get the foreigner Prince Albert's allowance reduced. This was his sole parliamentary success, and it enraged Queen Victoria so much that she declared she would never visit Lincoln again while Sibthorp represents it in Parliament."

"Everything he hated most was summed up in the Great Exhibition of 1851, symbol of Progress, Industry, Democracy and International Understanding. He attacked it furiously from the time when it was a mere idea to the time when it was realized in the Crystal Palace, "that obscene and insanitary structure which has been offered as a supreme insult to the people of England, to the delectation of foreigners, who are pouring over to this unfortunate country in their thousands to debauch our daughters and swindle our tradespeople."

And here is the *pièce de résistance*.

"When it was proposed to provide public libraries for the working classes in industrial towns (which he called unfeelingly, "the cholera morbus places"), he said he could not see why they wanted to read – 'I myself always hated reading when at Oxford.'"

**END NOTES: They'll Never Get Rid Of That Smell.** In a story about Bill Clinton's campaign efforts for various Democratic candidates around the nation, the *Washington Post* reported last week that former Clintonites, John Podesta, Harold Ickes and Steve Richetti "are trying to set up political organizations that can raise and spend soft money after a new law bans it for national parties beginning November 6." If McAuliffe remains chairman of the party, the paper says, "Team Clinton" might play "kingmaker" in 2004.

**The Cuckoo Byrd.** Senator Robert Byrd was complaining the other day on the Senate floor that that august body had only spent 25 hours debating the crucial issue of whether to go to war. By comparison, he said gravely, the Civil Rights Act of 1964 was debated for 100 days. The ever-entertaining *Opinion Journal* notes that one of the reasons the debate over the Civil Rights Act took so long was because Byrd, a former Ku Klux Klansman, filibustered it. And so it goes.

**Where Is He Now?** Have any of you non-New Yorkers ever wondered what ever happened to Joel Kline, the political hack who Hillary chose to replace Vince Foster as deputy White House Counsel after his untimely demise, and who later turned the Clinton Justice Department's anti-trust division into a giant fund-raising protection racket for the benefit of the Democratic Party (see "The Man In The Cement Shoes," sent out as a "From the Archives" piece, August 2, 2002).

Well, in case you didn't know, he is now Chancellor of New York City Schools, where he and bunch of other former Clinton political hacks are helping to hasten the continued decay of that

system. As for how he's doing, [www.newsmax.com](http://www.newsmax.com) says that he "seems to be borrowing a page from Mrs. Clinton's playbook when it comes to dealing with the recent sex crime wave sweeping city schools. Like the former first lady . . . Klein and his team of Clintonists as have apparently taken a hear-no-evil, see-no-evil approach to even the worst of the attacks . . . according to the [*New York Daily*] *News*, Klein's administrators "frequently say to parents there's nothing they can do . . ."

**For The Good Of All Concerned, Organized Labor Should Stay Democratic.** George Bush's White House has been determined to make inroads into the Democratic Party's traditional ties to organized labor. Bush's biggest "success" to date in this campaign has been his "friendship" with Douglas J. McCarron, president of the United Brotherhood of Carpenters and Joiners of America, who pulled his union out of the AFL-CIO in 2000 and began chumming with Bush, even endorsing his brother in the Florida gubernatorial race.

Now comes an investigation by the Justice Department, the Labor Department and the SEC into "questionable stock sales and repurchases" by McCarron and other Carpenters Union big shots, involving the stock of Ullico, formerly the Union Labor Life Insurance Co. Bush officials say they will do nothing to protect McCarron and his union, which, if true, pretty much dooms any further inroads by the Bush crowd into the hearts and pocketbooks of union bosses, who would have to be crazy to leave the cozy confines of the Democratic Party, which has never had any qualms whatsoever about shielding them and their corrupt activities from the long arm of the law. In my opinion, this is as it should be. The GOP should court the workers, not the bosses.

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