

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

“But [George Bernard] Shaw, and his traveling companion, Lady Astor, knew of the political prisoners, since the latter asked Stalin for clemency on behalf of a woman who wished to join her husband in America . . . and she asked him, ‘How long are you going to go on killing people?’ When he [Stalin] replied, ‘as long as necessary’, she changed the subject and asked him to find her a Russian nurserymaid for her children.”

Modern Times, Paul Johnson.

WHITHER CHINA? While Americans breathed a sigh of relief last week and cheered the arrest of “the beltway sniper,” President Bush was entertaining a man at his ranch who ranks high among the world’s living mass murderers, a man named Jiang Zemin, President of the Peoples Republic of China and General Secretary of the Chinese Communist Party.

Ah yes, I know what you are thinking. You’re thinking that Jiang is different from the beltway sniper. After all, the latter killed innocent people who were just going about their routine daily activities. Well, that may be, but Jiang presides over a government that routinely kills thousands of babies in the womb every year via a government program that administers *coercive* abortions. You couldn’t find victims more innocent than that.

Jiang’s government also sponsors a program that leads to the killing of thousands of innocent newborns each year whose only offense is to have been born female; that tortures and kills thousands of adult men and women annually whose only crime is to pray to the God of their choice or express an opinion about their government; and executes some 2,000 prisoners a year in such a way that it can “harvest” their kidneys, corneas and livers for sale on the international market in response to a burgeoning demand from the transplant industry.

It is possible that when we learn more about the beltway sniper we will find that he has heroes who are mass murderers, possibly the Columbine killers, or maybe Osama bin Laden, or maybe even Hitler. Jiang is chairman of a political party that honors Mao Tse-Tung as a hero, a man described in a book entitled *Death by Government* as the second most prolific mass murderer in

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history, behind only Stalin, having been directly responsible for the death of some 38 million of his own people.

According to *The Washington Post* on Monday, October 21, one of Jiang's three major goals is to have "his name enshrined in the party constitution, thereby placing him on an almost equal footing with Mao and Deng [Xiaoping]," another blood thirsty little Chinese killer. What an honor, says I. Too bad Jeffery Dahmer and "Son of Sam" can't be "enshrined" there with him.

Now my purpose for mentioning this is not to roast Jiang. One can assume that fate awaits him. My intent is to interject into the ongoing debate over China's economic future the uncomfortable, and therefore widely ignored, little technicality that Jiang and his political colleagues are cold-blooded killers.

This debate over the economic future of China is of special interest to Wall Street's big investment banks, many of which are heavily involved in raising money for various Chinese enterprises. Opinions vary among them as to how quickly China's "political liberalization" and "democratization movement" will transform that nation into Asia's great, democratic, financial powerhouse. Some think this has already happened. Others think it is right around the corner. Some seem to think it will take awhile.

Optimists point to things like strong economic growth and a burgeoning entrepreneurial middle class. Skeptics cite a banking system that is verging on bankruptcy, widespread unemployment and social unrest, and rampant corruption. But both sides seem to think that China is headed toward some form of democratic capitalism and that the only question is how long it will take.

The most common way of addressing the time frame involved is to look at China's leadership. The idea is that each succeeding generation of leaders will be less sanguineous than the prior one, until eventually China will be ruled by men who are nothing at all like the mass murderers who founded and built their party and whose giant pictures grace what the *Washington Post* describes as the "oxblood walls" of the party headquarters.

The *Post* echoed this generational change theme last week. In a story discussing the leadership changes that will result from the ascendance of the "fourth generation" of Chinese leaders during the upcoming 16th Communist Party Congress, the paper noted that "real political change is expected only with the fifth generation, many of them graduates from U.S. and European universities," who will "accede to powerful positions by the next Congress in 2007."

This is pure navel gazing. So far as I can tell, no one is even certain yet how much authority Jiang, who is 76 and the leader of the "third generation," will actually give up during this 16th Congress when he turns some power over to Hu Jintao, who is 59 and the apparent leader of the "fourth generation." Not only that, no one seems to really know what kind of person Hu Jintao is. One can find articles describing him as a closet reformer, a brutal, pragmatic party man, or an empty suit who has managed to get ahead because he has no firmly held ideas of his own.

So, I ask, how can anyone predict with any confidence what might happen in 2007 when the "fifth generation," all those "graduates of Western universities," "accede to positions of power,"

when no one appears to have a clue what the leaders of the third and fourth generations are up to at this very moment?

But beyond the uncertainties raised by the odd way the Chinese Communist Party has of selecting its leaders and allocating power, there is, I believe, another even more important variable in the future course of China's current Long March toward democrat capitalism. That is the problem that I raised earlier in this article, the one that I referred to as a "widely ignored little technicality," namely the fact that Jiang is a murderous tyrant.

Why is this a problem, you ask? Well, you see, somewhere along this evolutionary line of ruling "generations," I believe that the torture, the killing, and the other atrocities that are commonplace in today's China have to stop if that nation is to become the home of a successful, free market economy. There are many reasons for this, but the most important one is that capitalism simply does not do well in totalitarian societies run by thugs.

Capitalism thrives in societies that are organized around certain beliefs. These include the idea that every citizen is equal before the law; that property rights are sacrosanct; that the state exists to serve the individual, not the other way around; and, the one that ties the other three together, that each individual is free, within certain reasonable limits, to do as he or she pleases and to reap the benefits of his or her labor.

Societies that do not honor these simple maxims can fake it for a while. They can liberalize a little and get some benefits from street corner capitalism. They can develop a robust international trade by taking advantage of the cheap labor they have to offer. But in the end, high-level corruption, which is endemic to totalitarian societies, prevents a significant, successful and sustainable domestic capital base from developing. Business may be robust, but only a relative handful of individuals reap significant benefits, and they are careful not to invest their gains in country. The underlying economy stays weak. The infrastructure necessary to sustain the boom doesn't get built. And eventually the effort drowns in its own vomit.

Bernard Lewis, Princeton Professor of Near Eastern Studies, stated this idea a little more delicately in a January 2002 *Atlantic Monthly* article entitled "What Went Wrong." This piece, which was basically a sneak preview of a recently released book by him with the same name, attempts to explain why the Muslim countries have fallen so badly behind the rest of the world in economic development, literacy, and scientific achievement. He put it this way.

"To a Western observer, schooled in the theory and practice of Western freedom, it is precisely the lack of freedom—freedom of the mind from constraint and indoctrination, to question and inquire and speak; freedom of the economy from corrupt and pervasive mismanagement; freedom of women from male oppression; freedom of citizens from tyranny—that underlies so many of the troubles of the Muslim world."

The same can, I believe, be said of China.

Aha, you say. But that's the point of the generational change. The idea is that each new generation of Chinese leaders will introduce new, liberalizing changes, and eventually China will be a free, prosperous society made up of energetic entrepreneurs, happily going about their

business under the benign eye of a government made up of enlightened men and women who were “educated in Western universities.”

The problem with this theory is that the one thing each of the existing “generations” of communist party “leaders” have in common is that they are all “party people;” people who owe their livelihood, their life style, and even their lives to the continued rule of the Chinese Communist Party; a party that, despite the many modernizing changes that have occurred in recent years, is still sadly ill-suited to face the challenges that lie ahead in the 21st century world of mass communications, unbridled materialism, and the rise of individualism.

As such, the decisions made by the Chinese leaders of the future, regardless of their generational affiliation, are likely to have little or nothing to do with being more or less liberal, or more or less enlightened, than their predecessors, or with having gone to a “Western university.” The decisions will be predicated on how to remain on the tiger they are riding into the 21st century.

To understand what I am saying here, ask yourself, why don’t the leaders of China liberalize now? Why are they waiting? Why don’t they open to freedom and democracy and capitalism now? Why not welcome widespread prosperity? Why not stop the brutal torture and killing?

The answer is, of course, that they cannot do it now and still remain in power. It doesn’t have anything to do with generational sensitivities. Jiang isn’t killing and torturing people because he likes it. He isn’t repressing religious and political freedom for the fun of it. He isn’t employing brutal methods to micromanage China’s horrible demographic problems as some sort of sick, eugenic tribute to Margaret Sanger. He’s committing these and other heinous acts because he knows, and the members of his party know, that right now the Communist Party that he runs wouldn’t survive more than a few hours in a free society. In short, he is doing these things because repression is not a luxury for him and his party. It is a necessity.

So gradualism is the strategy. Movement toward a free society must come like Sandburg’s fog “on little cat feet,” or his own party will turn on him like a tiger. But it must come nevertheless, or the country’s economy will collapse, and then the party will “move on” anyway, not silently like Sandburg’s fog, but noisily and bloodily, exiting the way it came in, confirming Georg Buchner’s description of revolution – “like Saturn, it eats its own children.”

And by all appearances, the change must not only be gradual but sneaky. For reasons that only make sense in the bizarre political world of modern day China, change must be presented as being somehow compatible with the feverish, 19th century dreams of Karl Marx, which are arguably less relevant to today’s economic realities than the ideas of the 18th century French physiocrats, who argued that only agriculture yielded a surplus.

In a sane society, the Chinese political leadership would simply cry “Eureka!” and announce that they have finally figured out that Marx was a blathering fool, whose economic system was based on the fact that he was constantly angry at the *Schweinhund* grocer, as Marx often him in letters, as well as those he referred to as the “pitiable class” of “lousy small shopkeepers,” all of whom he hated because they wanted, of all things, for him to actually pay for the items he bought on credit, which would have required him to go to work, which was inconceivable to him because that would have required him to bathe once in a while and stop rutting all day with Helen

Demuth, his family's unpaid maid and the only person he ever knew who was a real life member of the proletariat, the group he professed to understand so well.

But the Chinese leaders can't do this, so they manufacture hilarious economic and social theories that are intended to place a Marxist spin on the simplest economic facts-of-life, the kind of things that any American kid who has ever run a lemonade stand understands viscerally.

Thus we have Deng Xiaoping's "Three Benefits Theory," which he unveiled to the world in 1992. This "theory" asserted that if an economic change improved productivity, enhanced the overall national strength, and boosted the standard of living of ordinary citizens it was, by definition, socialism. This was the Communist version of Leibnitz's theory that anything and everything that happened in the world was wonderful, "the best," because God created the world and God was incapable of doing anything that wasn't perfect.

Deng explained it all by saying that "It doesn't matter if a cat is black or white as long as it catches mice." This was cute, but it was pure dissemblance. He wouldn't have had to go to all the trouble of inventing his dumb "Three Benefits Theory" if it was as simple as all that. In the end, the most important thing was that the cat was a commie.

So now along comes Jiang, who realizes that while Deng was pretty smart to come up with the idea of countenancing capitalism by calling it socialism, in the long run it could spell trouble. Eventually, Jiang figured, this "Three Benefits Theory" virtually assured the emergence of a rich group of capitalists, who might become dangerous if they formed their own political base.

So Jiang came up with something called the "Three Represents Theory," which he unveiled in July 2001. The idea behind this little stroke of genius, which he hopes will "enshrine" him in the Party's constitution, is that the party should open its door to all Chinese, including the middle class and the wealthy, or as they are called in China, the capitalists. If "the rich" are members of the Communist Party, Jiang figures, they will have an interest in keeping the Party in power, or to paraphrase Lyndon Johnson, inside the tent peeing out rather than outside peeing in.

Among other things, Jiang's critics argue that if this were to happen, the Communist Party would no longer be a communist party at all, since by definition a communist party is supposed to represent the proletariat only. In a sane world, Jiang would simply respond by pointing out that the Party isn't a communist party anyway, that it is ridiculous to assert that its 65 million members are all "revolutionary peasants" bent on destruction of the bourgeoisie, when in fact most are corrupt, bureaucratic parasites. But Jiang can't say that, of course. He must pretend that the Communist Party is indeed a communist party and that it will still be a communist party after it grants membership to the nation's bourgeoisie, as well as to the filthy rich capitalists.

Of course, optimists can argue that it doesn't matter how "progress" is made, so long as it is made, or as Deng put it, so long as it catches mice. My response would be that while there is certainly some welcome progress being made toward a more open Chinese society, for the most part all that Deng and Jiang have accomplished is what the great French satirist Louis Ferdinand Céline accused the Russian communists of doing, namely "dressing up a turd and calling it caramel." The Chinese Communist Party is what it is, a nest of corrupt, reactionary bureaucrats, holding on to their perquisites for dear life while standing athwart history yelling stop.

As I said earlier, somewhere down the road to a free, democratic capitalist society, which everyone seems to think is in China's future, the killing must stop. And when the killing stops, there is a good chance that the Communist Party will stop, no matter how many rich capitalists have joined up, which means that there is a good chance that the killing won't stop anytime soon.

Now I am not saying here that China will never become a great democratic society and economic colossus. I am simply saying that the pathway to this brave new world is littered not only with economic and social obstacles, such as a near bankrupt banking system, a crippling shortfall in energy resources, an equally alarming shortfall in capital, a powerful military establishment that is suspicious of any and all changes, as well as staggering social and demographic problems.

It also includes a difficult transition from a corrupt, totalitarian government, on which millions of bureaucratic parasites feed, to a democratic one that trusts the wisdom of its citizens. Like it or not, such a transition is unlikely to occur without costly economic and social consequences.

This is not a novel idea on my part, of course. Tocqueville figured it out 160 years ago. He put it this way in *The Old Regime and the French Revolution*.

“It is not always by going from bad to worse that a country falls into a revolution. It happens most frequently that a people, which had supported the most crushing laws without complaint, and apparently as if they were unfelt, throws them off with violence as soon as the burden begins to be diminished. The state of things destroyed by a revolution is almost always somewhat better than that which immediately preceded it; and experience has shown that the most dangerous moment for a bad government is usually that when it enters upon the work of reform. Nothing short of great political genius can save a sovereign who undertakes to relieve his subjects after a long period of oppression. The evils which were endured with patience so long as they were inevitable seem intolerable as soon as a hope can be entertained of escaping from them. The abuses which are removed seem to lay bare those which remain, and to render the sense of them more acute; the evil has decreased, it is true, but the perception of the evil is more keen. Feudalism in all its strength had not inspired as much aversion to the French as it did on the eve of its disappearance. The slightest arbitrary proceedings of Louis XVI. seemed more hard to bear than the despotism of Louis XIV.”

SOME THOUGHTS ON THE BELTWAY SNIPER. Now I don't profess to have any inside knowledge or special insights into the motives, background, or affiliations of the beltway sniper. But I thought I'd pass along a suspicion I have harbored ever since John Allen Muhammad was captured and it was learned that he had spent a lot of time in Bellingham, Washington. Specifically, this suspicion is that he will eventually be found to have had some ties to militant Islam.

You see, anyone who has ever looked into militant Islam's presence in the United States has heard of Bellingham. Check out a story entitled “The Long Road Ahead,” which I wrote in the September 9 issue of this newsletter, before anyone had ever heard of the beltway sniper. One paragraph reads as follows.

Militant Islam is resident all over the United States, from Brooklyn; to Dearborn, Michigan; to Chicago; to *Bellingham, Washington* (emphasis added); to Oklahoma City; to Richardson, Texas; to Kansas City; to Tampa; to the Northern Virginia suburbs of Washington, D.C., as well as to some of the most rural areas in southwestern Virginia; and on and on and on.

Among other things, Bellingham is one of the most popular, illegal points of entry into the United States for Islamic terrorists. This was the entry point for the millennium terrorists who came into the United States just prior to December 31, 2000. It was also the entry point for some of the men involved in the 1993 World Trade Center bombing.

It is also the home of Saturna Capital Corporation, which administers the Amana Mutual Funds, which are invested "according to Islamic principles." Listed as a formal consultant to these funds is "The Islamic Society of North America," which is headquartered in Plainfield, Indiana, and which is arguably one of the most radical of the many Muslim organizations in the United States.

Anyway, besides the fact that this guy Muhammad somehow found his way to Bellingham, my suspicions were fueled by the following excerpts from a story in the *Bellingham Herald* dated Friday, October 25, entitled "Suspect left danger signs in Bellingham."

The Rev. Al Archer, director of the Lighthouse Mission where Muhammad lived off and on for months, remembers him as a guy who made a good first impression - too good. "On the surface he was squeaky clean," Archer said. "He was almost too good to believe. I kind of quit believing."

After he got to know Muhammad better, Archer grew so suspicious of his odd behavior that he suspected him of being part of a terrorist organization, and he called the FBI. But that was in October 2001, in the aftershock of the World Trade Center massacre, and Archer doesn't think he got the feds' attention. "I felt they probably threw the note in the trash," he said. . . .

Although Muhammad spent time at the homeless shelter, he sometimes flashed a wallet thick with currency, and showed off expensive-looking watches and gold bracelets, Parks [a local singer he knew] said. At the mission, Archer said, Muhammad would stay for a few days and then leave, saying he was traveling to Denver and New Orleans, among other places. The odd part was that Muhammad was traveling by airplane. Archer learned that when an airline ticket agent called the mission asking for Muhammad. "At the mission, not many airline agents call and ask for residents," Archer said.

Muhammad's frequent flier status seemed odd to other people. One of them was Greg Grant, a real estate agent in Bellingham who owns and manages an apartment complex about two miles south of Sumas on Highway 9. Last year, Grant said, he would often drive residents of Lighthouse Mission - including Muhammad on several occasions - to the apartments to do yard work and other chores, then back to the mission once the work was done.

Once, Muhammad told Grant that he had to travel a long distance, possibly to Jamaica or the Cayman Islands in the Caribbean, to sign some papers on a land sale, Grant said. Grant said he wondered why Muhammad would fly to do that when the job could be handled by mail.

In the post 9-11 climate, Archer felt it was worth a call to the FBI. "I felt like he was part of an organization. I felt like he had some connection with terrorists. ... I said he's got connections somewhere with somebody who's got money," Archer remembered telling the FBI. He also contacted Bellingham police with his concerns. "We both agreed there was something not right, but there was nothing they could nail him with," Archer said.

Archer said he can't help but wonder what would have happened if his concerns had been taken more seriously. "I always figured we would read about John in the news," he said. "He was involved in something. He wasn't just an average, ordinary guy. ... If he had been stopped at that time, a lot of people would be alive who are not."

END NOTES: Poor Jane, Or Every Cloud Has A Silver Lining. The *Washington Post's* Thomas Edsall notes that the "recent stock market decline has clobbered the political left, which depends heavily on wealthy liberals with large portfolios and a history of giving to groups touting women's rights, environmental initiatives and civil liberties."

As an example, he notes that "Jane Fonda, who in 2000 broke donor records by channeling more than \$11 million to abortion-rights and conservation groups, has been sidelined this year. . . ." In 2000, he says, "Fonda's money accounted for about one-third of all pro-Democratic independent spending on TV." In fact, he says, Planned Parenthood, which in 2000 received more than \$6 million from Fonda's political committee, has trimmed its spending this year to about \$2 million -- compared to \$10 million in the previous election cycle. . . ."

Something To Mull Over. Rich Galen's "Mullings" column this morning offers the following food for thought concerning the upcoming elections. "Between Walter Mondale and Frank Lautenberg, the up-and-comers in the Democratic party are now averaging 76 years of age. A legitimate question: Where's the Democrat's bench? The answer: In the owner's box. The Dems may win NJ and MN, but they may well prove to be Pyrrhic victories if they only serve to highlight the lack of young leadership in the party.

Here's a real question reporters should ask Mondale: Will he pledge, if he wins, to serve the full six-year term? Or, is there a plot: If the Democrat or the Independent is elected in the Minnesota Governor's race, Mondale will be sworn in on January 3, 2003; resign; and be replaced by someone appointed when the new Governor takes office on January 6th. For that matter, has anyone ever asked Lautenberg if HE intends to serve a full term?

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