

# 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

*"The war situation has developed not necessarily to Japan's advantage."*  
Japanese Emperor Showa Tenno Hirohito, following first atomic bomb attack on Japan.

*"This is the worst night I have had."*  
Senate Minority (former Majority) Leader Tom Daschle.

**AFTER THE ELECTION, TAXES, TAXES, TAXES.** Before I start on my exciting post-election analysis, I would like to reiterate a point I made in the October 21 issue of this newsletter. That is that "soon after the upcoming elections, I expect . . . for the White House to launch a high profile, high decibel effort to do something. . . about the lagging economy."

One part of this effort, I said, will "*center on a package of tax changes designed to help businesses and investors.*" Among other things, I said, 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."

I still think this is coming. I am not talking about massive, fundamental tax changes. The budget is too tight for that. But there will be lots of tax talk nevertheless, and this is important, not just for the economy and for public confidence in the future of the economy, but because I think it will put the Democrats in a difficult position for the presidential election in 2004. If they successfully block Bush's proposed tax changes, then they will have to take some of the blame if the economy does poorly. If they go along with Bush, then, once again, they will lose the chance to draw a clear ideological line between themselves and the Republicans on economic issues.

In the end, they will probably offer an alternative tax package. But turning that into a successful political ploy will be difficult for two reasons. The first is that making the charge that the GOP's plan "favors the rich," while theirs favors the "little guy" could backfire on them, since an awful lot of the "little guys" today have more interest in a healthy stock market than they do in government handouts. The second reason is that it doesn't look to me as though the Democrats

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are going to have a leader in either the House or the Senate who will have the clout to force a consensus between the two houses and among the party's rank and file as to what an alternative tax package should look like.

As regards the outcome of the tax debate, I'll stick with what I said two weeks ago. "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."

In the meantime, it is not yet clear whether happy days are here again. But without question, *happier* days are certainly here again.

**LAST WEEK ERNIE GOT *REAL HEAVY*.** I have listened to and read dozens of election analyses since last Tuesday night and basically I agree with those people who attribute the disappointing Democratic performance to the fact that they didn't present a clear alternative to the Bush agenda.

Most pundits who endorse this theory point to the absence of an alternative Democratic approach to such high profile issues as Bush's tax cut and his proposed war against Iraq. The interesting thing about this is, of course, that they had no real choice. As David Frum put it in his column on the *National Review On-Line*, "Suppose the Democrats had been bold and brave. Suppose they *had* forthrightly called for repealing the tax cut and for giving peace one more chance with Saddam. Does anyone think the Democrats would have succeeded better then?"

But Frum's question dealt with only half of the story of the missing Democratic agenda. It ignored the fact that the bigger problem for Democrats was that they were afraid to showcase those issues where they do indeed have big differences with Republicans. I am speaking about what are known as social, or cultural issues. I am speaking about what I call "the agenda that dare not speak its name."

Altering Frum's question slightly, "Does anyone think that the Democrats would have succeeded better had they aggressively highlighted their party's support for abortion on demand, tight restrictions on gun purchase and ownership, gay marriages, elimination of the phrase "under God" from the Pledge of Allegiance, adoption of a highly aggressive approach to affirmative action, a ban on the death penalty, the Kyoto Treaty on global warming, reparations for African-Americans, a public school system that has been decimated by the teachers' unions, or the enactment of a sharply more graduated income tax?"

Quite clearly the party's political strategists didn't think so. In fact, so far as I could tell, there was only one Democrat in the nation who pounded on the table to get her party to run openly and forcefully on this platform. That person was Barbra Streisand. I called attention to this brave demand by Baghdad Babs in an article in my October 7 newsletter entitled "Democrates In Long-Term Cyclical Downturn." I put it this way.

By the way, while I am no fan of Babs, I must say that in recent days she has been doing the Lord's work by publicly extolling her fellow Democrats to commit hari-kari by declaring what they actually believe rather than what the polls tell then they should say in order to have a chance of remaining politically viable. What a gal, stupid but oh so useful! Go Babs!

The interesting thing about all of this is that no one talks about it. Political pundits from both sides of the spectrum routinely point out that a wide political gap divides the American electorate right down the middle. But rarely does anyone discuss the specific nature of this gap. Yet, as we saw in last week's election, it has little or nothing to do with the issues that used to define and divide the two parties, issues such as war and peace, labor versus capital, rich versus poor.

In the long run, as I have said numerous times in these pages, this presents a big problem for Democrats. I apologize for quoting myself so often this week, but I can't think of a better way to make this point than to end with a quote from the above-mentioned piece.

For years, Republicans who advocated change had to convince people like me, the "conservatives" within their party, that these changes were good. More accurately, they had to drag us along kicking and screaming. Today, it is the Democrats who advocate change that have to overcome the inertia of large portions of their party, including but not limited to the teachers' unions, the public employees' unions, the industrial unions, the trial lawyers, and the tired "leadership" of a variety of social engineering groups and "movements," most of which have run their course but are still hanging around at the core of the Democratic Party because they have no place else to go.

More recent examples of the "reactionary" influence of these groups on the Democratic Party's once vaunted ideological nimbleness abound, and include opposition to Bush's faith based initiative and his proposals to make changes in the tax code that would enhance the incentives for citizens to invest in the financial markets.

But the best example, the one that is first and foremost in the news today, is Tom Daschle's inability to pass President Bush's "Homeland Security" program in the Senate because the public employee unions refuse to let him agree to Bush's demand that this important new department be exempted from the inefficiencies of union rules.

The whole thing reminds me of the old joke about the golfer named Clyde whose best friend Ernie died of a heart attack on the 14th hole. When Clyde told a friend about the terrible incident, the friend said, "Why that must have been awful." And Clyde said, "Oh, it was. Hit the ball, drag Ernie, hit the ball, drag Ernie, hit the ball . . ."

Poor Tom Daschle, says I. "Hit the ball, drag the unions, the trial lawyers, the radical wackos, and all the professional do-gooders who long ago forgot for whom they were suppose to be doing good. Hit the ball, drag the unions, the trial lawyers, the radical . . ." Well, you get the idea.

Last week, Ernie got heavier.

**THREE CHEERS FOR BILL AND HILL AND TERRY.** One of the things that kept occurring to me as I watched the returns come in last week and listened to the pundits the next day is how none of the pundits and no one in the Democrat Party seems to have figured out how horribly destructive the Clintons have been to the fortunes of their fellow Democrats.

When this guy came into office in 1993, the Democrats had firm control of both the Senate and the House, along with well over half of the governorships. After Bill's first two years in office, his party had lost control of both, and by the time he left office in disgrace, party organizations had been decimated in state after state.

And the frosting on the cake came when, upon leaving office, he saddled the party with two people who would assure that the sleaze factor lived on in the upper echelons of its leadership by insisting that Terry McAuliffe become party Chairman and by helping his wife, Cattle Futures Clinton Herself, to a seat in the Senate and a place within the party's *de facto* leadership.

I don't have the time, the resources or the inclination to update the following paragraph from an article that appeared in the August 1998 issue of *Commentary* magazine, but I doubt that things have improved much since then, and it provides the flavor of what I have been discussing here.

“By any objective measure, the Clinton era has been calamitous for the Democratic Party. Since the President took office in January 1993, the party has suffered a series of defeats at virtually every level of government and in every region of the country. At the time Bill Clinton was elected, 30 states had Democratic governors; today, the number is down to eighteen. If, six years ago, nearly 60% of legislators in statehouses across the country were Democrats, now only 52% are. The two largest cities in the U.S., Los Angeles and New York, have elected Republican mayors. And, most notably, in the midterm election of 1994, the Democrats lost control of both houses of Congress for the first time in four decades.

“There are other signs of weakness. Since 1992, nearly 400 elected officials nationwide, including five Congressmen and two Senators, have switched party affiliation from Democratic to Republican. Voter allegiance has likewise been affected: two months after Clinton took office, 52% of respondents to a New York Times survey said they most closely identified with the Democratic party; this past May, only 44% of respondents gave the same answer.

”The weakness of the party's support may help explain why it has failed to nurture a new generation of national leaders even as a Democratic President has been occupying the White House. The Clinton cabinet is uniformly unimpressive, and there are no promising legislators in either the House or Senate. The two most able Democratic governors, Lawton Chiles of Florida and Zell Miller of Georgia, are both stepping down this fall.

Zell Miller, of course, launched a successful campaign for a Democratic seat in the Senate. But following the horrible defeat his party suffered in Georgia last week, his name has once again surfaced as a leading candidate among Democrats to switch parties next year. As for the statement that the party, under Bill's leadership has “failed to nurture a new generation of national leaders,” when Democrats in New Jersey and Minnesota were looking for last minute

replacement candidates for the Senate run, they ended up with two men with an average age of 76, prompting political analyst Rich Galen to ask, “Where’s the Democrat’s bench?”

Now I have no doubt that the Democratic Party will stay competitive and viable. There is indeed a split down the middle of the American electorate along cultural lines, and it is doubtful that either side is going to give much ground in the near future. On the other hand, I can’t help but think that the Democrats have an uphill fight to regain majority status. I think this will be especially hard if Bill and Hillary continue to act as the party’s chief political mentors as well as its poster children, which is likely since they are also the party’s best fund-raisers.

**THE DESTRUCTIVE ROOT CAUSE OF POLITICAL TACKINESS.** I read a lot of opinion pieces in the aftermath of the memorial service that was held for Senator Paul Wellstone. For the most part, conservative columnists concentrated on taking shots at the most egregious celebrants and didn’t get too involved in trying to trace the origins of their behavior beyond simply observing that Democrats are just naturally boorish.

I don’t necessarily disagree with this charge. But I think it is worthwhile to note that Democrats have not always been that way, and to further note that a whole lot of today’s Republicans would be quite capable of turning a wake into a political rally. So what’s this all about, I ask myself? And I come up with the following.

It is all about the fact that politics has taken on too great a roll in American society today. For the vast majority of contemporary American politicians politics is no longer about the prosaic nuances that occupied such men as Hobbes, Locke, Montesquieu, Mill, Washington, Jefferson, Madison and Adams, namely how to order society in such a way as to allow every citizen the best possible chance of realizing his or her potentialities.

More and more, American politics is about how to create an ideal social order that rights all wrongs, heals all hurts, keeps fat people from becoming fatter, stupid people from feeling inferior, and killers from feeling guilty. It is about perfecting the feverish schemes of Plato’s utopian successors, men such as Bentham, Fourier, Owen and, of course, Marx.

It is, as Russell Kirk put it, about the development of “grandiose designs for the alleged attainment of ‘equity’ through ‘entitlements.’” It is about what Gerhart Niemeyer described as “permeating politics with millenarian ideas of a pseudo-religious character.”

In short, American politics today is about creating the kind of omniscient, paternalistic state power that Tocqueville feared would emerge someday, and described as follows.

Above this race of men stands an immense and tutelary power, which takes upon itself alone to secure their gratifications and to watch over their fate. That power is absolute, minute, regular, provident, and mild. It would be like the authority of a parent if, like that authority, its object was to prepare men for manhood; but it seeks, on the contrary, to keep them in perpetual childhood; it is well content that the people should rejoice, provided that they think of nothing but rejoicing. For their happiness such a government willingly labors, but it chooses to be the sole agent and the only arbiter of their necessities, facilitates their pleasures, manages their principal concerns, directs

their industry, regulates the descent of property, and subdivides their inheritances; what remains, but to spare them all the care of thinking and all the trouble of living?

Thus it every day renders the exercise of the free agency of man less useful and less frequent; it circumscribes the will within a narrower range and gradually robs a man of all the uses of himself. The principle of equality has prepared men for these things; it has predisposed them to endure them and often to look on them as benefits."

Wellstone's wake turned into a political rally because he wasn't a mere politician, someone who did no more than to help make laws designed to keep order, assure justice, and protect the nation from its enemies.

It happened because he was a modern day heroic Robin Hood with big bags of money that he took from "the rich" and gave to his admirers. He was high official in "Big Brother's" government, who could "make things right" for the "little guy," the "victim" of "powerful interests." More pointedly, he was a "holy warrior" for a "great moral cause."

The modern day roots of America's brand of political fanaticism can be traced to the French revolution and the teachings of Jean Jacques Rousseau. For many years, the Democrats had an exclusive on it. But today it also infects many wings of the Republican party, people who have forgotten Russell Kirk's admonition against substituting ideology for principles, as well as Max Eastman's warning, issued shortly after the end of World War II, that the fanatical, ideologically based belief in the power of government to redeem the world and create a perfect society is an exercise in "laying the tracks along which another death train will travel."

In the early 15<sup>th</sup> century, plague took the life of John Zizka, the blind general who commanded the followers of John Huss after the latter was burnt as a heretic. Following his death, Zizka's army used his skin to cover a drum so that the great warrior could still summon the Hussites to arms. Could Wellstone's followers do less than stage a grand political rally to honor this great general's contribution to the "cause?"

As I watched this rally, in which one of Wellstone's sons, having just lost his mother, father and sister, shouted to an exuberant crowd about the political victories that lie ahead if they all remain loyal to the cause. And the whole surrealistic scene reminded me of the following passage from Eastman's wonderful little book, *Reflections on the Failure of Socialism*.

"Lenin was even more credulous and more specific than Marx and Engels in describing the beauties of life in the paradise toward which this dialectic world was traveling. In his socialism every 'barrow-pusher' and every kitchen maid was to take part in the function of government. He was also more specific in describing the kinds of vile conduct which must be employed to help it along. 'We must be ready to employ trickery, deceit, law-breaking, withholding and concealing truth,' he exclaimed. 'We can and must write in a language which sows among the masses hate, revulsion, scorn, and the like, toward those who disagree with us.'"

**END NOTES: What's to say about Trent Lott?** My reaction to hearing that Trend Lott had cut a deal with Tom Daschle to allow the Democrats to hold onto their committee

chairmanships during the lame duck session? Well, there 's an old joke about a guy who comes home and finds his wife in bed with another man. Shocked, he looks at her and exclaims: "Helen, what are you doing?" And she turns to the guy is in bed with her and say, "See, I told you he was stupid."

**A Big Cheer For Nancy Pelosi:** As everyone knows, I am a really creative guy, so I have put my extensive talent to work and come up with a post-election GOP cheer. It goes as follows:

**“RICKETY RICKETY REE, KICK HIM IN THE KNEE. RICKETY RICKETY RASS, LET’S ALL GET BEHIND THE LIBERAL NUTCASE NANCY PELOSI FOR HOUSE MINORITY LEADER. THAT SHOULD BURY THE DEMOCRATIC PARTY IN THE HOUSE FOR ANOTHER FOUR YEARS AT LEAST. YEAH TEAM!”**

**Our Man Terry.** As regular readers know, I have been saying for well over a year now that Terry McAuliffe was the GOP’s secret weapon, being both sleazy and stupid. So now read this from the Sunday issue of the Bradenton Herald about Terry’s dodgy tactics in the Florida governor’s race at <http://www.bradenton.com/mld/bradenton/news/local/4485137.htm>.

The Florida Democratic Party hauled in more than \$15 million in the final weeks of the governor's race - much of it from the national party - to topple Gov. Jeb Bush, a Miami Herald analysis has found. The staggering total, delivered days before Democrat Bill McBride's surprisingly dismal performance against the president's brother, adds to an already brewing debate about what went wrong nationally for Democrats in 2002.

While the national party poured millions into a fruitless effort in Florida, other Democrats nationally could have used more last-minute money to avoid narrow losses that shifted control of the U.S. Senate to Republicans. A key question facing Democrats is whether national chairman Terry McAuliffe, who in the race's closing weeks declared the Florida governor his No. 1 target and boasted to the *New York Times* editorial board that "Jeb Bush is gone," will lose his job.

McAuliffe, *whose father-in-law, Richard Swann, was McBride's campaign finance chairman* [emphasis added], was heavily involved in pushing McBride's candidacy - even when the Tampa lawyer was virtually unknown and still battling to upset former U.S. Attorney General Janet Reno in the primary. . . . Some strategists said Friday the money might have been better spent in states such as Minnesota, Missouri and Georgia, where Democrats lost Senate seats.

And the beautiful thing is that the Democrats will probably never figure out that once again they’ve been had by the Clinton sleaze factor. Go Terry!

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