

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

“On the Continent, life expectancy has generally risen into the mid-to-late 70s. Yet work starts later, as school often extends into the late 20s, and ends earlier than ever, as companies often shed their most expensive employees with generous early retirement packages.

“In France, the average male worker retires at age 59, according to the Organization for Economic Cooperation and Development. In Belgium, only 35 percent of men from 55 to 64 were working in 2000, down from 48 percent in 1980. That means retirees in some cases must count on pensions to finance a third or even a half of their adult years.”

“Pensions on line, workers walk.” *International Herald Tribune* on May 9, 2003

DEMOCRATS FACE LONG-TERM MINORITY STATUS. The Democratic Party is in big trouble, in case you hadn't noticed. Really big trouble. The kind of trouble that could, I believe, relegate it to semi-permanent minority status, much like the post-Thatcher Tories in Great Britain; the kind of trouble that could alter the very nature of the modern-day American political system, which relies on a rough parity between two strong and widely popular political organizations.

This isn't a done deal, of course. After all, the GOP earned the American rights to the title “the stupid party” fair and square, and George Bush tends to play close to the edge, which is a combination that could conceivably lead to a disaster for the Republicans somewhere down the line. And there is always the possibility that someone will emerge from the Democratic Party ranks, some modern day American version of Pitt the Elder, with the charisma and brains to lead it out of the wilderness.

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But barring either of these possibilities, one has to consider the fact that the Democrats could be facing a political marginalization process over the next five years that has not been seen in the United States since the GOP went into a tail spin following the Watergate affair.

It is not unusual for the party that doesn't control the White House to have tactical problems, especially if the opposition party's President is popular and charismatic. But the troubles facing the Democratic Party are fundamental in nature. They stem in large part from the fact that many of its elected officials, and nearly all of its core constituencies, spent the last decade expending much time and considerable credibility defending a man who cared about little but himself. This left them ill-prepared to handle such important matters as defining their party's position on national security issues in the post-Cold War and post-9/11 eras, or dealing effectively with the utter void of new ideas that has characterized the political left worldwide ever since the fall of communism in the Soviet Union and the advent of globalization.

Space doesn't permit an in-depth analysis of these and other problems. Mark and I will surely address some of these in detail as the election nears. But a look at a few recent events provides an insight into the growing weakness of the Democratic establishment.

The tax debate is a case in point. As most of you know, late last week, the nominally Republican-controlled Senate passed a tax bill that gave President Bush most of the cuts he requested, albeit, in the case of the dividend tax repeal, only temporarily. Given that these requests appeared, in the words of *The Washington Post*, "all but dead just last week," this was, in and of itself, "a key victory" for the White House. The Senate tax bill is, after all, the third largest (in dollar terms) tax cut in the nation's history.

Now, we will concede that one can, and perhaps should, question the value of such a bill, particularly as it sunsets the dividend tax repeal in '07. Indeed, former Bush speech writer and current best-selling author and columnist for *National Review*, David Frum, may well have been right when he wrote that the Senate-passed plan is "not just intellectually embarrassing," but potentially "economically damaging, at a time when the world economy cannot afford to sustain more damage."

Nevertheless, the bill (again in the words of the *Post*) "actually is more generous to corporations and investors than either the House-approved tax cut package or the president's original proposal." It also constitutes at least a moral victory for President Bush, who had been having some difficulty getting his own party's Senators to toe the line.

And, perhaps most importantly, it represents yet another defeat for hapless and directionless congressional Democrats, who wanted desperately to deny the President any success, particularly one that eliminated the double taxation of dividends. A cynic might say they wanted to deny the President any success that might actually help the economy recover before the '04 elections, but that's a story for a different day.

The funny thing is that this is just part, and perhaps not even the most important part, of the tax story. Elsewhere on the tax front, George W. Bush is proving himself both far more clever and cunning than his Democratic opponents have given him credit for being, and more clever and cunning than his Democratic opponents.

Recall that in this newsletter two weeks ago I noted that Democrats had, on the issue of taxes, abandoned the failed politics of class warfare, opting instead to couch their opposition to cuts in terms of fiscal responsibility, deficit management, and bond-market economics. I put it thusly:

The Democrats are all deficit hawks now, and indeed, have abandoned class warfare as the primary argument against tax cuts, preferring Rubinomic arguments instead. Tax cuts are, they claim, irresponsible because they cause deficits, and deficits hurt both the macro economy and individual families. Or so the argument goes.

Now, the reason that Dems did this was because the class warfare angle was, to put it delicately, a loser. Study after study, survey after survey, analysis after analysis have all found that Americans don't respond well to attacks on "the rich," in large part because they themselves expect someday to be "the rich."

In 2001, the pitiable combination of Tom Daschle and Dick Gephardt (then-Democratic Senate and House leaders, respectively) couched their opposition to the Bush tax plan, in part, in terms of class warfare. Remember the dreadful "the rich will get a new Lexus, while you get a new muffler" campaign? For that they got their . . . um . . . hats handed to them.

And George W. Bush was then but a Washington novice. He had just slid into the White House by the very narrowest of margins and did not yet enjoy the tremendous popularity earned only in the wake of September 11. He nevertheless whipped the class warfare remnants of the Democratic Party and shepherded through Congress the largest tax cut in history. At least it will be the largest tax cut, once it is finally and mercifully phased in, presumably by the bill to be passed shortly.

Needless to say, the Democrats have sought to avoid such a disaster this time around. Unfortunately for them, no one told George Bush that the Democrats think class warfare is passé. Last Monday, in Albuquerque, for example, Bush told a small-business audience, "Oh, you'll hear the talk about how this plan only helps the rich people. That's just typical Washington, D.C., political rhetoric, is what that is. That's just empty rhetoric." This is typical of the arguments Bush has been making throughout the debate. And it's working. According to *The Washington Post*:

Much of the rhetoric on the issue has actually been the president's – and polls suggest it has worked.

"Democrats are just scared to be accused of class warfare," a Senate Democratic tax aide conceded yesterday.

Peter R. Orszag, a Brookings Institution economist and critic of White House tax policy, gave Bush credit for what he called "a spin job" that used selective examples of lower-income families to convince many lower- and middle-income Americans that they have a stake in the tax cut's passage. Last week, a USA Today/CNN/Gallup poll found that 52 percent of Americans now think the tax cuts are "a good idea," an increase of 10 percentage points in two weeks.

Moreover, by preemptively playing the class warfare card against the Democrats, Bush has not only employed the rhetoric to his advantage, but has also managed to goad a few prominent Democrats into abandoning the game plan and reverting to their old “bread and butter” class warfare rhetoric. Presidential wannabe Gephardt, for example, recently told would-be supporters that the President’s economic plan consists solely of “knee-jerk tax cuts that do nothing but pay off George Bush’s wealthy campaign contributors while killing economic growth.”

And speaking of Gephardt, here’s a guy who is a personification of the Party’s problems: a nice looking, well spoken, long-time leader of the oldest and most respected wing of the party, who can’t raise a dime to get a meaningful presidential bid off the ground, partly because organized labor, the core constituency for which he considers himself the chief spokesman, is a dying breed. Relative to Gephardt’s campaign so far, *The Hill* had this to say three weeks ago.

Early support from two chief constituencies — Iowans and organized labor — that are essential to the White House hopes of the Missouri Democrat has been surprisingly tepid so far. Documents filed with the Federal Election Commission show that Gephardt reported raising a scant \$1,000 in all from only *three* donors in Iowa in the first quarter of 2003. [emphasis added]

The confusion in the Democratic ranks over the party’s goals and tactics is not just showing itself in the fight over taxes. Like some form of pox, it appears evident in virtually every fight that is waged anymore. And often it leads to what would appear to be some extremely poor judgment and to behavior that could only be called (and I’m being generous here) self-destructive.

For a party that prattles on endlessly about the importance of every voter and the sanctity of the idea of “one man, one vote,” Democratic elected officials have, in practice, shown incredible disdain for the principles of democracy lately. Now, I am hardly the guy to offer a spirited defense of plebiscitary democracy, but the subtleties of this debate are lost on most Americans, who prize the concept of “democracy” above all other concepts, with the possible exception of “freedom.” And to be seen as openly desecrating democratic principles would hardly seem to be a smart move for a party that desperately needs to attract and retain voters.

Yet, in Washington, Senate Democrats have been so obdurate in impeding President Bush’s appointments to the federal bench that they have moved even Bill Frist, whose tenure as Majority Leader had previously been noteworthy for . . . well, nothing . . . to do something, and something drastic at that. The unprecedented use of the filibuster to deny President Bush’s nominees a full Senate vote has compelled the listless Frist to propose altering the Senate rules to limit the utility of filibusters where presidential appointees are concerned. Though it may not seem so to those outside the Beltway, this is, in fact, a radical proposal, one which many observers have labeled “going nuclear.”

Frist was forced to act, of course, because of the minority party’s dogged determination to thwart the will of the majority. Democrats, for their part, claim that the practice of delaying a vote on controversial federal bench nominees is hardly unprecedented, pointing to, among others, Ronnie White, a Clinton appointee whose nomination was held up by a handful of Republicans on the

Judiciary Committee for more than two years, and who became the first nominee to the federal bench to be rejected by the full Senate in 12 years.

But they ignore the fact that Republicans controlled the Senate and its committees when White was appointed. The Democrats, in contrast, are the *minority* party today and are holding up nominations not by their earned political clout but through a manipulation of the process.

And furthermore, despite the fact that Republicans had precedent on their side, they still paid a political price for the way in which they handled Ronnie White's nomination. Recall that Attorney General John Ashcroft, whose opposition to White formed the foundation to his party's opposition, lost his Senate re-election bid (to a dead man), in large part because Democrats, both nationally and in his home state of Missouri, were effectively able to label him a racist for killing the nomination of Judge White, who is black.

Whether Democrats will suffer similar electoral repercussions for their current actions remains to be seen. But, they are on far shakier political ground than was the GOP, and the principal target of their acrimony is, like White, a minority (Honduran-born Miguel Estrada).

More importantly, their tactics in this and other recent political disputes reveal desperation, a lack of leadership, and an overall weakness that is beginning to be evident to anyone who is paying attention, most especially to the White House political operatives who are in charge of the Bush election campaign and who, we must add, play politics as though it were a blood sport.

THREE CHEERS FOR BILL. I love the story about the beleaguered Democrats in Texas hightailing it to Oklahoma to keep from having to approve redistricting legislation that would lower the already depleted numbers of Democratic representatives in Washington.

But I lament the fact that the media has refused to give credit where credit is due. Even Republican pundits seem reluctant to give thanks to the guy who made this extravaganza possible. I am speaking, of course, about Bill Clinton, the founder and the brains behind the historically unprecedented special operations team that the GOP assembled in 1992 to take control of the Democratic Party and destroy it.

(Details of this fascinating episode in American politics can be found in an exclusive story written by Steve and me entitled "The Kool-Aide Gambit." It was published on September 16, 1998, and can be found in the "Pre-2002 Archives" section at www.thepoliticalforum.com).

I admit that I haven't kept day-to-day tabs on the demise of the Texas Democratic party over the past several years. But I was around when Bill got the ball rolling, and I offer the following paragraphs from several old stories to make sure that Bill gets credit where credit is due.

From "Liberalism on the Ropes," September 13, 1995. "In addition to heavy losses at the polling booths, Democrats continue to suffer from large numbers of party switchers. Some 113 Democratic elected officials have jumped to the GOP since Bill Clinton was elected, including 70 since last November. The trend has been especially heavy in southern states, including Alabama, *Texas* (emphasis added) and Georgia.

Georgia Congressman Nathan Deal's recent jump to the GOP was preceded by the defection of State Service Commission Chairman Bob Darden, which gave the GOP a majority of state offices for the first time in the Peach State's history. A very high number of Democrat-to-GOP defections at the local, state, and federal level in Alabama, including Senator Richard Shelby's jump earlier this year, has helped make the Senate seat now held by retiring Democrat Howell Heflin one of the most vulnerable in the nation to a GOP takeover. *And in Texas, when Rep. Greg Laughlin recently became the fourth U.S. Congressman to jump ship to the GOP since Bill Clinton took office, some 18 locally elected Democrats joined him in switching parties* (emphasis added).

From “Choosing Sides,” April 17, 1996. *“At last count, 59 local, state and federal elected officials in Texas had switched to the GOP since Bill Clinton was elected* (emphasis added). In Alabama the number was 23; in Louisiana 21, Mississippi 20, and Georgia and South Carolina, 15 each. This kind of action in a state is extremely damaging to local party recruiting and fund raising, as well as to morale.”

From “The Kool-aide Gambit.” “As I have pointed out in several prior issues, since Bill has come to the White House, his party has lost control of the House of Representatives, the Senate, 14 Governor’s mansions, and over 500 seats in the state legislatures. This, in and of itself, would have been a Herculean task for a political mole, especially when one considers the tremendous popular support that the Democrats enjoyed when Bill took office. But to do it in six years was incredible.

The destruction Bill has wrecked on the Democrats is geographically widespread. But it is especially noticeable in the South, where the Democrats were once dominant. Among other places, *Texas and Virginia, former Democratic strongholds, have turned into Democratic wastelands since Bill has taken office* (emphasis added).

THEY EAT HORSES, DON’T THEY? You wanna bet on a sure thing? (Yes, I know, as a conservative I am supposed to be contrite about my penchant for gambling, but I have decided to ignore the example of Bill Bennett and instead follow the lead of the young St. Augustine, who asked the Lord for “chastity and continence, but not just yet.”) Anyway, here’s a bet for you. Bet against Jacques Chirac. He’s a loser. He’s the guy pretending he has an ace down to match his ace up, when everyone at the table except him knows where the other three aces are.

To make matters worse, not only is Jacques holding bad cards, but the strongest player at the table, the guy with all the money and most of the skill, wants him out. It’s personal. I’m speaking of George Bush, of course. He doesn’t like Jacques, and he’s in a position to work on him a little, to see him and raise, and then fold and watch him lose to a third player, maybe the Poles, or the Czechs, or Tony Blair, all just for fun. Or spite.

Bush has endless cards to play. Last week, his new Treasury Secretary John Snow sent the dollar down another notch against the Euro when he indicated that the administration “secretly welcomes the dollar’s decline,” to use a phrase from the *Wall Street Journal’s* coverage of the

story. The *Journal* indicated that Snow should have known better than to say such a thing, that it was a “mild blunder.” Maybe it was. But then, maybe it wasn’t.

Either way, it demonstrates how sensitive Europe’s economy is to verbal “blunders,” whether planned or otherwise, by Bush’s Treasury Secretary. Jacques, on the other hand, could make a “verbal blunder” every day about the value of the Euro and not cause a ripple in the currency markets. And so it goes.

Also last week, the U.S. Trade Representative Robert Zoellick filed a WTO case against the EU for its ban on the importation of genetically modified organisms (GMOs). This could turn into a real nightmare for Jacques as he tries to explain to the world the real reason why France is so adamant about incorporating all of the fears and psychoses of the infamous Ned Lud into Europe’s agricultural policy (Hint: It has something to do with the synergism between using horses as a substitute for tractors and the five star restaurant thing).

The timing of the administration’s decision to bring an action in the WTO might have nothing to do with Bush’s sudden contempt for Jacques. But it is worth noting that Congress has been urging the White House to make the move for several years. In any case, it illustrates the kinds of problems that the Bush crowd can bring to bear on the Europeans to weaken Jacques’ argument in favor of the “Gaullist” movement and to strengthen the hand of the Atlanticists, whose numbers include Tony Blair and most of the leaders of “New Europe.”

Things might be different if “Old Europe,” led by France, weren’t in deep economic doodoo already. But, whether Jacques understands it or not, Europe can’t have both a “Gaullist” policy that is antagonistic to the United States and socialism. The two are not compatible.

A big, inefficient, steadily decaying, socialist welfare state like Old Europe, in which the people no longer produce children at a replacement rate but where everyone is entitled to a big pay-as-you-go retirement package, needs a strong alliance with a nation like the United States, where not everyone works for the government, where some people at least produce more than they consume, where the 40 hour work week is not considered a labor violation, where everyone doesn’t take the summer off with pay, and where people don’t count on the government for a cushy pension before the age of 60.

Even Gerhard Schroeder, who is not the sharpest knife in the drawer, is beginning to question whether his alliance with Jacques against America was a wise move, especially since he is about to embark on the politically risky task of asking Germans to go along with some slight reforms in the laws governing retirement, unemployment benefits, and work rules. Some critics of these reforms say they could, if adopted, require German workers to actually do some work, which could, they say, lead to widespread “worker unrest,” assuming these German workers could wake up long enough to become restive.

Now in case you’re wondering, this is basically good news. It doesn’t mean that the European economic system will become more efficient, since, for the time being at least, there is no alternative to the wacky socialists who run France, Germany, Belgium, etc. Conservative capitalists are as rare in “Old Europe” as old horses are in France.

It does mean, however, that economic and other relations between the United States and Europe are likely to return to normal soon, along with relations between the United States and Russia. And Jacques will lose his battle to create and control a new and vibrant European rival to the United States before he has a chance to do any lasting damage to the “Atlantic relationship.”

HILAIRE BELLOC ON THE THREAT FROM ISLAM. Several Sunday nights ago, in an essay I wrote to accompany Belloc’s poem “Sarah Byng” (To get on the poetry e-mail list, just ask. To see if you might like it, visit www.thepoliticalforum.com and click on the “Poetry” tab.), I noted that Belloc was highly accomplished in many fields. I put it this way.

“He was a poet, novelist, biographer, historian and travel-writer. He was a friend of Chesterton [Visit the “Poetry” tab for an essay on Chesterton and to read his great poem “Lepanto”]. He was a conservative, devout Catholic, who sparred intellectually with H.G. Wells. He was a Member of Parliament. He was prescient about many things, including the dangers to Western society that were to arise from fundamentalist Islam.”

This last line prompted several e-mails asking for clarification. So here it is. In his well-known book *The Great Heresies*, Belloc included a chapter entitled, “The Heresy of Mohammed,” in which he offers a brief history of the rise and subsequent decline in the global power and influence of Islam. And then he says the following, which is, I think, well worth considering. And remember, this was written in 1938.

Millions of modern people of the white civilization-that is, the civilization of Europe and America-have forgotten all about Islam. They have never come in contact with it. They take for granted that it is decaying, and that, anyway, it is just a foreign religion which will not concern them. It is, as a fact, the most formidable and persistent enemy which our civilization has had, and may at any moment become as large a menace in the future as it has been in the past . . .

"May not Islam rise again?" "Will not perhaps the temporal power of Islam return and with it the menace of an armed Mohammedan world which will shake off the domination of Europeans-still nominally Christian-and reappear again as the prime enemy of our civilization?" The future always comes as a surprise, but political wisdom consists in attempting at least some partial judgment of what that surprise may be. And for my part I cannot but believe that a main unexpected thing of the future is the return of Islam. Since religion is at the root of all political movements and changes and since we have here a very great religion physically paralyzed but morally intensely alive, we are in the presence of an unstable equilibrium that cannot remain permanently unstable . . .

We have seen how the material political power of Islam declined very rapidly during the eighteenth and nineteenth centuries. We have just followed the story of that decline. When Suleiman the Magnificent was besieging Vienna he had better artillery, better energies and better everything than his opponents; Islam was still in the field the material superior of Christendom-at least it was the superior in fighting power and fighting instruments. That was within a very few years of the opening of the eighteenth century. Then came the inexplicable decline. The religion did not decay, but its political power and with that its material power declined astonishingly, and in the

particular business of arms it declined most of all. When Dr. Johnson's father, the bookseller, was setting up in business at Lichfield, the Grand Turk was still dreaded as a potential conqueror of Europe; before Dr. Johnson was dead, no Turkish fleet or army could trouble the West. Not a lifetime later, the Mohammedan in North Africa had fallen subject to the French; and those who were then young men lived to see nearly all Mohammedan territory, except for a decaying fragment ruled from Constantinople, firmly subdued by the French and British Governments.

I say the suggestion that Islam may re-arise sounds fantastic but this is only because men are always powerfully affected by the immediate past:-one might say that they are blinded by it. Cultures spring from religions; ultimately the vital force which maintains any culture is its philosophy, its attitude towards the universe; the decay of a religion involves the decay of the culture corresponding to it-we see that most dearly in the breakdown of Christendom today. The bad work begun at the Reformation is bearing its final fruit in the dissolution of our ancestral doctrines-the very structure of our society is dissolving.

In Islam there has been no such dissolution of ancestral doctrine-or, at any rate, nothing corresponding to the universal break-up of religion in Europe. The whole spiritual strength of Islam is still present in the masses of Syria and Anatolia, of the East Asian mountains, of Arabia, Egypt and North Africa. The final fruit of this tenacity, the second period of Islamic power, may be delayed:-but I doubt whether it can be permanently postponed . . .

There was another more intelligent suggestion made in the nineteenth century, which was this: that the decline of Islam had proceeded from its fatal habit of perpetual civil division: the splitting up and changeability of political authority among the Mohammedans. But that weakness of theirs was present from the beginning; it is inherent in the very nature of the Arabian temperament from which they started. Over and over again this individualism of theirs, this "fissiparous" tendency of theirs, has gravely weakened them; yet over and over again they have suddenly united under a leader and accomplished the greatest things . . .

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