

# The Political Forum

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

---

Mark L. Melcher  
Publisher  
[melcher@thepoliticalforum.com](mailto:melcher@thepoliticalforum.com)

Stephen R. Soukup  
Senior Editor  
[soukup@thepoliticalforum.com](mailto:soukup@thepoliticalforum.com)

Monday, July 14, 2003

## THEY SAID IT

Double, double, toil and trouble;  
Fire burn and cauldron bubble . . .  
Fillet of a fenny snake,  
In the cauldron boil and bake;  
Eye of newt and toe of frog,  
Wool of bat and tongue of dog,  
Adder's fork and blind-worm's sting,  
Lizard's leg and howlet's wing,  
For a charm of powerful trouble,  
Like a hell-broth boil and bubble.

*Macbeth*, William Shakespeare

**ROUND ABOUT THE CAULDRON GO.** It's beginning to look as though President Bush may be facing some tough times over his Iraq initiative. Things are, of course, not yet out of control for the White House. In fact, according to the latest Washington Post-ABC News poll, the President's overall job approval rating is still at a relatively high 59%, despite a recent nine point drop. And 57% of Americans still consider the war with Iraq to have been worthwhile.

But there is little doubt that daily reports of successful attacks on U.S. troops by Iraqi insurgents, failure to find weapons of mass destruction in Iraq, and questions about the truth of the administration's charges against Iraq in the period leading up to the war have softened support for Bush's nation building plans and taken a toll on the credibility of the administration.

There are too many variables involved to be confident about making specific predictions as to how difficult things might get for Bush. But if this fire burns too hot and the cauldron bubbles too vigorously, it could mean toil and trouble not just for the White House and the Republican Party but for the financial markets as well, so it occurs to me that a little auguring is in order, even if it is highly speculative.

For starters, I think it is useful to view the situation as involving two related, but separate issues. The first has to do with whether or not the United States is "in over its head," "involving itself in

---

Subscriptions to **The Political Forum** are available by contacting:  
**The Political Forum**  
8563 Senedo Rd., Mt. Jackson, Virginia 22842  
Tel 540-477-9762, Fax 540-477-3359, Email [melcher@thepoliticalforum.com](mailto:melcher@thepoliticalforum.com),  
or visit us at [www.thepoliticalforum.com](http://www.thepoliticalforum.com)

another Vietnam,” or “getting bogged down in a quagmire” to put it in terms that are being used by some of Bush’s critics.

The second, more immediate issue involves the question of whether the administration is in any danger of suffering a precipitous decline in public approval, which could cripple its ability to push its agenda through Congress, threaten Bush’s reelection bid, jeopardize the GOP’s chances of picking up seats in Congress in the upcoming elections, and threaten the economic recovery by damaging consumer confidence.

Relative to the first question, I have believed from the very beginning that both the war and the post-war occupation would go reasonably well. And I continue to believe this. My immediate concern about making such an optimistic prediction is the possibility that U.S. troops in Iraq could suffer a terrible, one time catastrophic loss, such as happened in Lebanon in 1983, when 241 marines were killed in one terrorist attack.

Should something of this sort occur in Iraq, all bets are off, and I will write a new prognostication piece. For the time being, I would just say that such an event would not necessarily benefit Bush’s critics, who might find it difficult to convince the public not to unite behind the President at such a time, and endorse whatever action he proposes. In any case, I don’t think it will happen, largely because U.S. troops are anticipating the possibility of such an attack and are in a very high state of alert as a result.

Over the longer term, I believe that things will steadily improve on the insurgency front between now and November 2004. There is, of course, no hard evidence to support this optimism. But as a person who has been known to place a wager now and then, I will follow the advice of Damon Runyon, who once noted that “the race is not always to the swift, nor the battle to the strong, but that’s the way to bet it.” And there is no question in my mind that the U.S. military is in a stronger position than are its enemies in Iraq.

I am not denying the ability of the Iraqi insurgents to cause lethal trouble for occupation forces. Indeed, I would expect them to be around, and to be somewhat effective, for a very long time. But my assumption is that they are operating at full capacity right now, since it wouldn’t make sense for them to be holding anything back at this crucial time. They could, of course, get stronger in coming months, but I am more inclined to think that they will weaken, as the American military adjusts to the situation, and as those Iraqis who are on the side of the Americans against Saddam Hussein’s former supporters get more involved in the process of rooting the bad guys out of their hiding places.

Relative to this last point, I believe that the U.S. will be turning over more and more of the chores of government to Iraqis during the coming year, including the management of a small army and a large police force. This is not a new prediction for me. I put it this way in the April 7 newsletter in a piece entitled “Our Despot Instead Of Theirs,” and see no reason to revise it.

I think that the United States will, with the help of Britain and other friendly nations, be able to restore order within Iraq, get the oil fields pumping again, and establish an interim government that will have enough support to run the nation effectively, or reasonably so . . . But I certainly don’t think that the coming days in Iraq will be trouble

free. Or even blood free, for that matter . . . I am optimistic that he [President Bush] will be able to install a leader in Iraq who is significantly less murderous than Saddam; and more importantly, one who “despots” (to coin a verb) for us rather than against us.

And this brings us to the second, more immediate issue, involving the question of whether the Bush administration is in any danger of suffering a steep decline in its public approval rating in the face of mounting criticism by Democratic presidential hopefuls.

I must say that I am less optimistic on this point than I am on the former one. As I indicated above, my concern has nothing to do with my view of the actual situation in Iraq. And I am not particularly worried about the on-going brouhaha over Bush’s false claim in the State of the Union speech that Saddam had been attempting to buy nuclear materials from Niger. This too shall pass.

My concern is instead tied directly to what I view as a troubling flaw in the President himself, namely that he appears to be somewhat of a blowhard. Or to put it slightly more kindly, he seems unable to address important issues with prudence and restraint.

Now, all good politicians engage in a little hyperbole once in a while. Sometimes it can be amusing, even charming. Often it is a useful device for projecting optimism and confidence. In small amounts, it can add a little verve to speeches, and help rally supporters to a cause.

But in large doses, it can have the deadly effect of raising expectations far above any likely outcome. And more importantly, it can make it difficult for an individual to be taken seriously when it is important to be taken seriously.

I have commented on this in the past. In fact, over a year ago in the June 17 issue of this newsletter, I wrote an extensive piece on the subject entitled “More Unintended Consequences,” in which I noted that phrases such as “replacing poverty, repression, and resentment around the world” and “lifting millions of peoples out of despair and want,” “spurt out of the President’s mouth like ink from a squid, raising hopes and expectations far beyond reality.”

More recently, I have become disturbed by his and other members of the administration’s constant assertions that the United States will not leave Iraq until a Democratic government and a market economy are in place.

This is nonsense. Bush has a better chance of “lifting millions of peoples out of despair and want” than he has of introducing true democracy and capitalism in Iraq, which is rife with tribal hatreds; religious intolerance; endemic corruption; millions of young, uneducated men with no prospect for meaningful employment; and a large, indigenous, well-armed insurgency movement. More importantly, Iraq is an Islamic nation, which means that it is culturally antagonistic to democracy and free markets, with their emphasis on freedom of choice, a secular legal system, and separation of church and state.

In the above-mentioned piece entitled “Our Despot Instead Of Theirs,” I noted that I was “reasonably optimistic” that President Bush would “not go overboard with the idea of building a

“democratic” Iraq.” If he does that, I said, “I will quickly become pessimistic,” and added that “in my opinion, he may as well try to raise caribou over there.”

It is still possible, of course, that Bush’s blathering about creating a democracy in Iraq is just more hyperbole. I would hope that this is true. But either way, he is raising expectations to unreasonable levels, and feeding fears that he might in fact get bogged down over there when his actions fail to accomplish what he has promised.

In any case, if Bush is going to weather the storm of criticism that is sure to come between now and the presidential election, he is going to have to be taken seriously, which means that he will have to check his propensity to exaggerate. And he will have to seriously address the serious issues that face the nation. In my opinion, one test of whether he can do this will come when the discussion arises about the consequences of \$400 to \$500 billion annual deficits as far as the eye can see, and what might be done about the situation.

Now I don’t mean this to sound overly pessimistic here. President Bush is a remarkable man with remarkable political skills, and I am by no means predicting that he is destined for big political troubles in the months ahead. It is worth noting in this context that the opposition forces, in the form of the Democratic presidential hopefuls, are a pretty sad lot.

I am simply pointing out that difficult times lie ahead, and suggesting that it is worth keeping in mind while watching events unfold that, to paraphrase the famous words of Buster Douglas, who once charged that Evander Holyfield’s “achilles heel is his jaw,” President Bush’s Achilles heel is his big mouth.

**FAULT LINES ON THE RIGHT.** As both Mark and I have written numerous times lately, the Democratic Party would appear to be in some trouble. While each of these stories contained current examples of the problems facing Democrats, they were basically thematic extensions of a series of pieces we wrote in 1990 entitled “The Dawn Of A New Political Era” (Parts I, II, III), in which we suggested that *both* political parties face an unsettled future, as alliances shift, and fundamental issues fade and are replaced by new ones.

We haven’t written much about the GOP side of this story lately for two reasons. The first is that we believe that the Democratic Party’s breakdown could be the most significant political story of the year, given the stakes involved in next year’s presidential and congressional elections. The second is that the GOP’s troubles are being kept under reasonable control for the time being by George W. Bush, who, as President, is in a position to do so, just as Bill Clinton did for the Democrats during the eight years he was in office.

But make no mistake, the GOP has troubles, some of which could make a difference to the party’s fortunes come Election Day next year, despite the efforts of President Bush to keep them in check, and all of which will eventually surface when Bush leaves office.

For starters, there are pronounced differences of opinion within the ranks of the GOP on the proper roll of America in the post-Cold War world, differences that have become especially significant since September 11 precipitated President Bush’s aggressive “War on Terror.”

Already, the paleo-conservative contingent in the party has broken ranks. And while one of that faction's most recognizable figures, journalist Bob Novak, remains a loyal Republican in name, the other, Pat Buchanan, has officially seceded from the party and continues to badmouth his former compatriots on the right.

More importantly, a few weeks ago, the foreign policy fissure in the GOP took on even greater heft, as Ed Crane and William Niskannen, the president and chairman respectively of the libertarian Cato Institute, penned an essay for *The Financial Times* in which they too attacked their erstwhile brethren on the right.

As has become the case with the other dissenters on both the right and the left, Crane and Niskannen see the "bogey men" in the current debate as the dastardly "neocons." In fact, according to them, "the rise of neo-conservatism on the right" represents one of the most serious dangers facing America today. More specifically, they suggest that the neocons are "using the threat of terrorism to expand government at home and abroad." And they accuse neocons of "a desire to reshape America and the world through the efforts of a robust federal government."

While I find the incessant natter about "neocons" and secret conspiracies to rule the world excruciatingly tiring, I have to say that I share the concern of the libertarians about the continued expansion of the federal government and what they see as the erosion of American civil liberties in the name of national security.

Indeed, Mark and I have written numerous articles in the past sympathizing with concerns over civil liberties and the the expansion of government in the face of the War on Terror. One of the most notable of these was one we wrote while at Lehman Brothers, entitled "Strength From Adversity," in which we cited "an ancient truth" which was "first revealed in a papyrus scroll, written in Aramaic, and found in a cave near Minneapolis." It reads, "Wars and other national crises are to executive power what Miracle-Grow is to houseplants."

All of this said, the war on terror and the foreign and domestic components of that war are not the only bones of contention within the party. Budgetary and social issues are also raising hackles among some of the more prominent factions on the right. And here, it's not just the libertarians who are upset.

In fact, the July 23 issue of *National Review*, quite possibly the most influential "conservative" periodical today, published an editorial (bylined by the "NR Editors") in which it openly questioned whether the GOP is still truly conservative, and pondered the possibility of true conservatives being compelled to abandon the party.

Not surprisingly, *NR* concluded that conservatives will be better served by working with and "while also working *on*" GOP leaders. But it did raise the specter of social conservatives eventually growing tired enough of the GOP leadership (or lack thereof) to turn their backs on the party. On the issues of gay marriage and affirmative action, for example, *NR* suggested that maintenance of the status quo may well lead social conservatives to "conclude that there is no point to participating in normal politics." And, as the editors continued, "there goes the Republican majority."

It is also worth noting that many conservatives of all stripes are still upset with GOP complicity in the outrageously expensive farm bill, which was signed into law well over a year ago. That frustration is, of course, compounded today by the similarly outrageously expensive *GOP-lead* attempt to add a new drug entitlement to Medicare without reforming the program.

It should come as no surprise that both of these fiscal fiascos make the *National Review* list of reasons why now “is not a bad time for conservatives to declare their independence from the GOP establishment.” As Mark and I wrote several times in the “The Dawn Of A New Political Era” series, “The battle between big government and small government is over. Big government won.”

All of this is not to say that the GOP collapse is imminent, or that these difficulties will greatly affect prospects for 2004. But it is to say that just because there are serious troubles brewing on the left side of the aisle, things are not all well and good on the right. So, as you continue to read stories, both in this newsletter and elsewhere, about the collapse of the Democrats, remember that Republicans too are facing some problems related to the implosion of the political paradigms that dominated American politics for the better part of the last century.

**END NOTE:** Recently, the *Washington Post* reported that while watching a Fourth of July Parade in Washington, White House political guru Karl Rove began cheering when a dozen or so marchers paraded by wearing “Dean For President” T-shirts and carrying “Dean for America” signs. Rove reportedly turned to a friend and said “Heh, heh, heh. Yeh, that’s the one we want.”

This makes sense, of course. It is certainly reasonable to conclude that the ultra liberal Dean would be an easy mark for Bush in the general election. But I must say that Dean’s growing popularity made me a bit nervous the other day when he called for the ouster of Democratic Chairman Terry McAuliffe. One can only hope that Dean doesn’t get strong enough within the party to accomplish that task, since, as has been said many times in this newsletter, McAuliffe is the best thing that ever happened to the GOP, being a political naïf and a constant reminder to the public that the sleaze factor did not leave the Democratic Party when Bill and Hillary left the White House.

---

THE POLITICAL FORUM

Copyright 2003. The Political Forum. 8563 Senedo Road, Mt. Jackson, Virginia 22842, tel. 540-477-9762, fax 540-477-3359. All rights reserved. Information contained herein is based on data obtained from recognized services, issuer reports or communications, or other sources believed to be reliable. However, such information has not been verified by us, and we do not make any representations as to its accuracy or completeness, and we are not responsible for typographical errors. Any statements nonfactual in nature constitute only current opinions which are subject to change without notice.