

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 terrorist of the future won’t carry guns and explosives and force his way into sensitive areas -- unless he wants to make a show of it . . . Instead, he’ll sit at a computer terminal and, with a few keystrokes, do more damage than he ever could with physical force.”

Jerry Benson, Dean of the College of Integrated Science and Technology, James Madison University, as cited in a recent article at www.frontpagemagazine.com, entitled “Government Security Conference Run by Islamic Radicals.”

WHAT SHALL WE DO WITH THE DRUNKEN SAILORS? Now I usually have no bone to pick with the editorial page of the *Wall Street Journal*. But I have to say that that paper’s editorial last Wednesday entitled “Deficit Yoga” was, in my humble opinion, a pernicious load of rubbish.

Oh, I understand about the slow economy, and the cost of the war on terror, and the economic benefits of tax cuts. And I understand that a little growth will go a long way toward improving the deficit picture. But, let me tell you, whether the *Wall Street Journal* knows it or not, there is something very wrong in Washington right now on both sides of the aisle when it comes to the subject of fiscal responsibility. And this fact can’t be covered over by a cute little editorial advising anyone who is worried about the long term effects of uncontrolled federal spending to “fold your legs . . . close your eyes . . . take a deep breath, and start chanting mmmmmmm.”

The plain fact of the matter is that the whole sorry lot of politicians in Washington, from both parties and including the big man in the White House, are spending money like drunken sailors, and they are not about to stop until the bill comes due, and when that happens it won’t be pretty.

And while there is probably nothing that anyone can do about it right now, it doesn’t help matters for the *Wall Street Journal* to minimize the problem of \$400 billion to \$500 billion deficits as far as the eye can see with a kiss off, limp-wristed remark such as, “an attempt to rein in spending would help, on the remote chance that any politicians are interested.”

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The fact that the *Wall Street Journal* has given up even hoping that spending could be “reined in,” despite the fact that Republicans control the White House and both houses of Congress, should make thinking people begin to consider what has happened to the federal government.

You can call me a worry wart if you like, but I’m telling you that there is something very wrong with the fact that Congress and the President are hoping to pass a new umpteen boozillion dollar drug entitlement benefit for the elderly at a time when the government is already hundreds of trillions of dollars in debt; when the annual fiscal deficit is going to be running in the \$400 billion to \$500 billion range for years to come; when the nation is in the middle of a war against terrorism that is going cost tens of billions of dollars a year for at least another decade and probably longer; and when the Social Security and Medicare programs will soon be facing desperate times, as the baby boomers reach retirement age. And if the editorial writers for the *Wall Street Journal* can’t figure this out, then they ought to go work for the *New York Times*.

When I say there is something wrong, I don’t mean that the nation just happens to have a bunch of blockheads in charge at this particular time in history. If this were the case, one could hold out hope that the public would tire of these people and get new ones with a different attitude. I mean that there is something deeply wrong with the way politics in America works today. Space does not permit a comprehensive exploration of the roots, nature and consequences of the problem. But I thought a short discussion of some aspects of it might be worthwhile this week.

One important source of this disorder is the phenomenal rise in the importance of what I will call, for lack of a better term, “national constituency politics.” Local constituency politics has been central to America’s representative democracy from the very beginning. In fact, prior to the mid-1960s, most federal level politicians received the bulk of their financial support from their own geographical region. And they concentrated their political duties in Washington on issues that were of immediate and specific significance to the folks back home. Some attention was paid to what could have been called national constituencies, but these were traditional groups such as “labor” and “business.” In addition, of course, a few hearty populists addressed their messages to national audiences, but for the most part, on issues of broad, national importance, politicians generally followed the direction of their party leadership.

“Party discipline” on these matters was considered to be very important, and was enforced by the senior leaders of the Party, who, among other things, exercised almost complete control over choosing the Party’s candidates in virtually every race, handing out committee assignments in Congress, and providing crucial financial and political help at election time.

In those days, the generally accepted path to having a meaningful say on national policy, and thus gaining significant national recognition, was not to spout off on these issues, but to work one’s way up through the Party’s ranks to a position of power and responsibility.

Beginning in the mid-1960s, the civil rights and antiwar movements set the stage for an entirely new approach to political success. By aligning themselves with one or both of these groups, politicians, such as Eugene McCarthy, George McGovern, and Adam Clayton Powell, gained national attention, access to donors outside their immediate geographical area, and the support of large numbers of highly motivated grass roots organizers, who happily devoted time and money

to turning out the votes of like minded people in the districts and states of politicians who would support their specific cause.

The success of the civil rights movement and the anti-war movement spawned a vast number of similar activist organizations, covering just about every conceivable cause, both liberal and conservative, pro-business and anti-business, national and international, wacky and serious, each with a national donor base and a host of political activists ready to help friendly politicians. And thus was born “national constituency politics.”

Needless to say, the success of those politicians who capitalized on developing relationships with large numbers of these groups led other politicians to follow suit. And today, virtually all federal level politicians are vitally dependent on gaining and keeping the support of a critical mass of these national special interest groups, in order to provide the large sums of money that are necessary today to stay in office.

The fact that the President of the United States is one of the biggest hogs feeding at this trough means that no single Washington politician is any longer in a position to concentrate the bulk of his or her attention to the health of the nation as a whole. We have many “big brothers” in Washington today, who are perfectly willing to lend the government’s hand in exchange for the money or the soul of the petitioner, but no “big father” to impose discipline on the process, or to put it another way, occasionally to say “no.”

The key to success in this game is to assemble as large a coalition of these organizations as possible, always considering conflicts between competing interests, and the sensitivities of the folks back home. The next step is to cut deals with other legislators who have similar coalitions of special interest backers. And the final step is to deliver the goods.

Relative to this last point, it is important to keep in mind that these special interest groups do not give money to politicians out of the kindness of their collective hearts. Each wants something, and invariably this something costs money. Sometimes this money is paid directly out of the federal government coffers. Other times, it comes from the pockets of consumers in the form of what is called a “hidden tax.” And sometimes, as in the case of an action that limits free-market competition, the charge is made directly against the nation’s economic performance.

Another thing to keep in mind is that the absolute return on the special interest donations to politicians can be extraordinary. I don’t have any current facts to support this claim, but the following paragraphs from a piece I wrote just over 12 years ago entitled “An Upbeat Look at Some Ugly Trends,” will illustrate my point, even if the data is dated. The focus of the comments in these paragraphs is a 1988 book by sociologist Amitai Etzioni entitled *The Moral Dimension, Toward a New Economics*.

He [Etzioni] cites the subsidy program for dairy farmers. In FY 1982, he says, these subsidies amounted to roughly \$2 billion. A 1981 proposal to reduce those benefits by \$600 million over four years was defeated. Those who voted against the bill in the House received eight times more contributions from the principal dairy PACs than those who favored it. Total dairy-PAC contributions to those who voted against the bill were

\$385,260. A \$600 million return on a \$385,260 investment is somewhat more than the industry would have received on a similar expenditure for R&D, Etzioni notes.

Etzioni [further] notes that the costs to Chrysler for a \$1.5 billion loan guarantee, the costs to American auto makers for the \$6 billion in revenues they gained in 1984 alone as a result of 'voluntary' import limitation, and the costs to obtain \$13 billion tax forgiveness for exporters was less than 1% of the added revenues, to the extent that the size of such costs can be estimated.

Now one might think that the danger of such a system would be that Washington would become a vast battleground, where the gladiators for these various groups would fight epic battles for federal favors in a colossal zero-sum war on a field marked by the presence of many big happy winners standing astride the battered remains of the many big losers.

But this would underestimate the ingenuity of the gladiators themselves, who long ago concluded, like the huckster in the carnival who runs the "pick a duck out of the water game" for little children, that no player should go home without a prize. This might discourage some of the biggest players and cause others to demand a higher return on their contributions, since the game could no longer be considered a sure thing. And this would spoil the fun, especially since the prizes can be paid for with borrowed money.

So what you have in Washington today is a giant bacchanalian fight over a cornucopia of goodies in which the patrons of some warriors get more and some less, but none get nothing. And while it is true, as the *Wall Street Journal* maintains, that the federal deficit would "inevitably come back to earth" if politicians could "merely control" their spending appetites on issues and programs that are not related to defense and terrorism, this is akin to saying that if a frog had wings he wouldn't bump his butt on the ground when he hopped around.

Indeed, the biggest flaw in the *Journal's* editorial is this phrase "come back to earth," because it implies that the federal deficit had at one time in the near past actually been "back to earth," which is a patent falsehood.

Yes, there were a few years during the Clinton presidency when federal outlays actually were less than federal income. And this provided a technical budget "surplus." But, although I seem to be the only one in the world who understands this, this was not a true surplus. Washington's politicians pledged every bit of that money and more almost as quickly as it came in. But the nature of the process was such that they could not actually "spend" it all during the years in which it was received. Thus the "surplus."

Think of it this way. A family receives a \$10,000 Christmas bonus. It buys a \$40,000 boat on time, figuring that it can easily make the payments, since, in their optimistic opinion, the \$10,000 bonus is almost certainly going to be an annual occurrence. Did the family have a surplus in that particular year? The editorial writers at the *Journal* think so. Indeed everyone apparently thinks so. I don't. In fact, because of the purchase of the boat on time, at a price greatly exceeding the bonus, they had a deficit.

Now I am not saying here that large fiscal federal deficits will go on forever. I am simply saying that it is foolish to believe that the politicians in Washington today will ever become voluntarily responsible when it comes to fiscal matters. It won't happen. Indeed, it is even less likely to happen during the kind of economic good times that the *Journal* assumes will bring the deficits "back to earth." In the Washington of today, such times encourage spending sprees.

What might happen, indeed what will probably happen, is that my old friend Ed Yardeni's "bond vigilantes" will someday unfold their legs, open their eyes, stop chanting mmmmmmm, stand up, and feed the happy gladiators to the lions. I have no idea when this might occur. But I have no doubt that it will.

NOTHING BUT TROUBLE? Over the past several weeks, President Bush has taken an unrelenting beating, both at the hands of his Democratic adversaries and in the mainstream media. As *National Review Online* Editor-At-Large Jonah Goldberg noted, last Thursday was a particularly bad day for the President and may well have produced "the single worst front page of his presidency," as five of the seven non-local stories on the front page of *The Washington Post* could be read as bad (or *very* bad) for Bush and/or the GOP in general.

By the end of last week, the net effect of this pounding became reasonably clear, as pollster John Zogby, generally considered one of the more accurate electoral seers, particularly on matters of presidential politics, noted that Bush's job approval rating had slipped significantly over the last month. Indeed, the approval numbers weren't even the worst part of the story. Zogby wrote.

President George W. Bush's job performance rating has slipped to 53% positive, his lowest since the terrorist attacks in 2001, according to a poll of 1,004 likely U.S. voters by Zogby International. His negative rating reached 46%, just under his pre-9/11 unfavorable of 49% . . .

Voters rate only President Bush's performance in the war on terrorism positively, 59% - 40%. Opinion is split on foreign policy, 49% positive compared to 50% negative. His performance on health care is rated 36% positive, 61% negative; the environment, 31% positive, 65% negative; taxes, 45% positive, 54% negative; and jobs and the economy, 33% positive, 66% negative.

For the first time, more likely voters (47%) say it's time for someone new in the White House, compared to 46% who said the President deserves to be re-elected
(emphasis added)

Now all of this begs the question: is President Bush in trouble? And the answer is (not to get too Clintonian here), that depends on what the definition of "trouble" is. If by "trouble" one means to ask if Bush runs the risk of being seen by most Americans as a typical politician with all of the defects common to the vocation, rather than the exceptional and inspiring leader many considered him to be in the aftermath September 11, then the answer is, quite obviously, yes.

It was always inevitable that once the nation returned to something approaching political normalcy, Bush's astoundingly high approval numbers would similarly return to a more normal range. Frankly, the fact that he maintained such gaudy numbers for as long as he did was a

surprise to most observers. But it could hardly go on forever, particularly as the war's immediacy and the memories of September 11 began to fade.

On the other hand, if by "trouble" one means to ask if George W. Bush is at risk of repeating the colossal political collapse of his father, George H.W. Bush, and of losing his re-election bid, the answer is a pretty solid no. In spite of his problems, which are, in fact, many, the President is still an excellent bet to be calling 1600 Pennsylvania Avenue home on January 21, 2005.

The first reason to bet on Bush is that despite the fact that he has many problems, his opponents have more, many, many more. I'll concede that I get a little anxious when I read reports that Karl Rove, the guy responsible for running this campaign, cackles openly at the prospect of facing loony leftist Howard Dean. After all, he and Bush are the two people who cannot afford to be overconfident. At the same time, though, I can understand the urge. As Mark and I have written several times, the Democratic Party appears to be losing its collective mind, and goofballs like Dean are the product of this budding madness.

We are, of course, not the only ones to have noticed this grotesque meltdown. Columnist Mark Steyn wrote last week in a piece published in *The (London) Spectator* about the Democrats' "descent into madness." (Nice turn of a phrase, eh?) Not surprisingly, he too concluded that the net effect of this lunacy would be the President's re-election. He wrote:

Here's a much more pertinent question than whether BUSH LIED!!!!!!!!!!!!!!!: how loopy are the Democrats? One reason why the President, in defiance of last week's *Spectator*, is all but certain to win re-election is the descent into madness of his opponents. They've let post-impeachment, post-chad-dangling bitterness unhinge them to the point where, given a choice between investigating the intelligence lapses that led to 9/11 and the intelligence lapses that led to a victorious war in Iraq, they stampede for the latter. Iraq was a brilliant campaign fought with minimal casualties, 11 September was a humiliating failure by government to fulfill its primary role of national defence. But Democrats who complained that Bush was too slow to act on doubtful intelligence re 9/11 now profess to be horrified that he was too quick to act on doubtful intelligence re Iraq. This is not a serious party.

A second reason to expect a Bush victory is that he will have money, lots and lots of money. President Clinton demonstrated in 1996 that a sitting President can raise oodles of cash with very little effort. And Bush learned that lesson well. In the last quarter alone, Bush raised \$34 million, more than all of the Democratic contenders combined. Members of the campaign team expect that they will possibly raise as much as \$200 million, a previously unheard of sum. In short, the Bush fund-raising machine is every bit as well greased as was the Clinton machine, and the Clinton machine was like none before it.

Additionally, Bush will, again like Clinton in '96, have much more of this cash on hand for the general election campaign than will his opponent. Which brings us to the third reason to like Bush: he will, unlike his father in '92, not have to earn his party's nomination. Republicans like to charge Ross Perot with helping Bill Clinton overcome all odds to upset the elder Bush, but the blame is, in my opinion, shouldered equally (if not more) by Pat Buchanan, whose primary challenge both sapped the Bush campaign's resources and forced the President away from the

comfortable political center. George W. will not suffer a similar fate. And next February, while his would-be opponents are spending their money and pandering to the radical left, the President will sit comfortably on a mountain of cash and will be well positioned to secure the all important “independent” votes.

A final reason why Bush will win is the media. In 1992, Bush the Elder (and Mrs. Bush the Elder, incidentally) spent a great deal of time and energy complaining about bad press. This, of course, just added fuel to the fire, causing the media to hit the administration even harder. Today, such problems are unlikely; George W. Bush enjoys a luxury his father probably never dreamed possible, a luxury that can be summed up in three words: Fox News Channel.

While the mainstream media may still be overwhelmingly liberal, and while *The New York Times*, *The Washington Post*, CBS, NBC, ABC, and CNN will still likely go gaga over Howard Dean, none of that matters as much as it once did. In FNC, Bush has found himself a very powerful ally. Claims of “fair and balanced” reporting notwithstanding, “the most powerful name in news,” makes a rather effective and unabashed cheerleading squad for the President. Larry King may think Bush is a dirt bag, but Sean Hannity and Bill O’Reilly think he’s Reagan reincarnated. And far more people watch Hannity (and his co-host, the embarrassingly overmatched Alan Colmes) and O’Reilly than ever watched King.

Indeed, it is, I believe, instructive that Senator and Democratic presidential wannabe Joseph Lieberman skipped the candidate forum at the NAACP’s recent annual meeting because of “previous commitments,” but still managed to make the taping of an interview with O’Reilly the same day.

Though Lieberman spent the rest of the week begging for NAACP President Kweisi Mfume’s forgiveness (even going so far as to make the pathetic and ridiculous suggestion that Mfume should be considered for the Supreme Court), his thought process last Tuesday was not terribly difficult to discern. As the most conservative Democrat by far in the race, he was probably not going to sway too many minds and win too many votes by playing to the NAACP anyway. Many in the organization consider him far too conservative. Average, middle-of-the-road, reasonably conservative Democrats are the only hope Lieberman has. And O’Reilly can help him reach many more of them than can Kweisi Mfume.

O’Reilly may be an awful blowhard. But he’s a powerful one. And Lieberman knows this.

I should note, of course, that I mention Fox News Channel only as an example. Though FNC is the most visible element of the “new” conservative media, it is hardly the only one, much less the most important or powerful one. Talk radio is an extremely important outlet for conservative views. And the internet is bursting with prominent conservative sites and generally pro-Bush sites, both the “old” model ones, such as the Drudge Report, and the newer and arguably more influential blog sites, such as www.andrewsullivan.com.

Howard Dean may win plaudits for figuring out how to use the internet to raise money, but conservatives were in cyber-space first, and they still control the overwhelming lion’s share of the most read and most respected content. And while all of this likely does not entirely counterbalance the advantage the left has with the mainstream media, it certainly helps.

So is Bush in trouble? Not really. He may get himself into trouble at some point in the future, but right now, he's fine. Sure, the push to chisel his face onto Mt. Rushmore has fizzled, but that does not mean that he will not win re-election. Indeed, as it looks now, he almost certainly will. And most probably, quite easily.

AN INSIGHT INTO THE WAR ON TERROR. The principal problem facing federal and local law enforcement authorities who are charged with ferreting out terrorists and their sympathizers is that many of the *really* bad guys, the ones that can do *real* damage, have burrowed into the fabric of American society, holding positions of responsibility and power side by side with people who are not bad guys. And it can be exceedingly difficult for authorities to tell them apart.

A fascinating example of this problem can be found in a story entitled "Government Security Conference Run By Islamic Radicals," which can be found at www.frontpagemagazine.com. The article's authors, Joe Kauman and Beila Rabinowitz, note that this Wednesday, July 23, a group called the Government Security Conference (GOVSEC) will convene in Washington for its second annual meeting and exposition to develop anti-terrorism strategies for the government and to share information related to homeland security.

Sponsors of the conference include the FBI, the Justice Department, and a group called the Commonwealth Information Security Center (CISC), which was established with the help of a \$9 million Virginia State grant in May 2001. Its goal, as described by the *Washington Post*, is to "help fight cyber-terror" and "sponsor research and train business and government leaders in how to protect the nation's computer networks against attack." Its home base is James Madison University in Harrisonburg, Va., just a few miles down the road from the Melcher farm.

The interesting thing about this group, as pointed out by Front Page Magazine, is that its co-founder and "principle investigator" is a man named Mohammed Eltoweissy, an Egyptian immigrant and associate professor in the Computer Science Department at JMU, who is also the co-author of an on-line pamphlet, entitled "Islam – Beliefs and Values," which can be found on the JMU web site, www.jmu.edu.

At the end of this pamphlet is a section entitled "For More Information," in which Eltoweissy lists eight web addresses, seven of which (www.whyislam.org; www.cair-net.org; www.iasv.org; www.isna.net; www.icna.org; www.lariba.com, and www.islamway.com) are linked in one way or another to Islamic extremism, a charge that is documented in the Front Page Magazine article, and one that I can confirm through my own research into the murky world of Islamic radicalism. Space doesn't allow me to provide extensive details supporting this contention. But the following paragraph from the article is illustrative.

... www.islamway.com is run by the Islamic Assembly of North American (IANA). The IANA's Vice Chairman, Rafil Dhafir, was arrested for laundering money to Iraq. Sami Omar Al-Hussayen, a member of the IANA's Technical Committee was indicted for routing "thousands of dollars he received from overseas sources to the Michigan-based IANA, and provided computer expertise and website services to IAMA" (Department of Justice, February 26, 2003). "In May 2001-- four months before the

September 11 terrorist attack -- the IANA's website featured justifications for 'martyrdom operations,' including crashing an airplane 'on a crucial enemy target.'" (Dore Gold, 'Hatred's Kingdom') . . .

For my part, I will simply say that it is difficult for me to imagine that anyone, particularly a Muslim who is involved in national security matters, could direct people who are interested in "Islam – Beliefs and Values" to these sites without at least a cautionary note about the unsavory character of many of the people involved in the organizations that sponsor these sites.

Perhaps he doesn't know. But then again, if he doesn't, one would think some of the other individuals involved in CISC would tell him. One is an Algerian immigrant named Athman Bouguettaya. He is a research fellow at CISC and the Director Virginia's Tech's E-Commerce and E-Government Research Lab.

According to Front Page Magazine he also "made his home in the Computer Science Department at the University of Colorado." While there, he made some of what the magazine describes as "extremely incriminating statements," which you can find in the article. One is as follows: "Afghanistan is . . . the property of all Muslims and especially of those that made Jihad . . . I for once (sic) have a lot of respect for my Afghani brothers that stood steadfast and made Jihad."

Another is Abdulrahman Hijazi, who is the Technology Officer and the Lab Manager at CISC. Front Page Magazine says this about him.

Hijazi recently gave a lecture about a couple who split up because the husband went off to sacrifice himself for jihad, entitled, 'Are You As Committed As Suhaila?' The text transcript of the speech is located on the 'Jihad' section of the website, IslamicAwakening.com, called the "al Qaeda Users Guide," as it is almost entirely dedicated to Al Qaeda, Osama bin Laden, and bin Laden's predecessor, Sheikh Abdullah Azzam. In the lecture, Hijazi stated:

"During these days, brothers and sisters, jihad was one of the good deeds that every Muslim was targeting . . . every Muslim was dreaming of doing jihad." . . .

Now I have no way of knowing whether JMU's venture into the computer security business with state money will eventually help to make America's computer systems safer. I am reasonably confident, however, that by the time the money is spent, the people who are involved in this operation, including Eltoweissy, Bouguettaya, and Hijazi, will know as much, if not more, about the vulnerability of these systems as anyone in America.

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