

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

“I am not being heroic. If you believe, as I do, that we are at war and if you believe, as I do, that if your country asks you to use your skills in the waging of that war, then there is only one answer: ‘When do I leave?’”

-- *Mullings*, Rich Galen, October 27, 2003

HOW BUSH COULD LOSE THE WAR IN IRAQ. There has never been any question that America has the military power and the financial means to accomplish whatever goal it sets for itself in Iraq. If the United States were willing to pay the price in money, lives and the sacrifice of its ideals, it could establish a permanent military government in Baghdad and occupy that nation virtually forever. Theoretically, it could also “democratize” it, as Wolfowitz, Condi and the other altruistic “nation builders” in the Bush White house hope to do. Or it could install “our tyrant instead of theirs,” which has been my preference from the beginning, since it is clearly the cheapest and most practical of all the choices.

The ultimate question, when it comes down to victory or defeat, is not whether any of these outcomes are possible to achieve, but whether Americans believe that any of them are worth the effort. This is no secret. In fact, the task of convincing Americans that the venture in Iraq is worth the cost has, over the past few months, become one of the most important fronts in the war. And while things may be going quite well on the ground in Iraq, as administration spokespersons continue to maintain despite the mounting death toll over there, the fact is that the Bush crowd is in very grave danger of losing the war on the “will-to-keep-on-fighting” front.

Defeat on this battleground is not, of course, imminent, as evidenced by the fact that Congress just authorized \$87 billion to keep the effort underway. But the Bush White House is, in my opinion, overlooking a very important fact in their public relations campaign on behalf of this effort, and if they don't wake up to this problem soon, they are, I believe, going to be in very deep trouble. The gist of their predicament is this.

Americans are a generous people. They will spend billions upon billions of dollars to help other nations fight against a variety of troubles and evils, including disease; environmental

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catastrophe; brutal government; shortages of food, clean water, electricity and other necessities; or even belligerent neighbors. You want billions to fight AIDS in Africa? You got it. You want shiploads of food to fight famine in Africa? You got it. You want billions for vaccines or to repair earthquake damage in some of the poorest nations of Asia? You got it. You want billions to prevent war between Israel and its neighbors? You got it.

But by the same token, Americans are very protective of the men and women who serve in their armed forces. Time and again Americans have demonstrated great reluctance to put their military forces in harm's way for any cause other than national security, and narrowly defined national security, at that. Since Vietnam, the attitude of a majority of Americans has been "drop a few bombs, if you must, but fly high and be careful."

This trait is so well known around the world that the enemies of the United States have identified it as a major weakness, not realizing that it does not demonstrate an unwillingness to sustain substantial loss of lives in military confrontations, but simply an unwillingness to do so in conflicts that are not directly threatening to America's most important security interests, as identified and agreed upon by a majority of citizens.

Under most circumstances, there is no conflict between these two traits. But on occasion when the compulsion to offer benevolent aid involves putting American military forces in harm's way, the public gets very restive, as we saw in Somalia.

And therein lies President Bush's problem with sustaining the Iraqi war effort. When, following the September 11 attacks, Bush claimed that America must launch a ground war in Afghanistan in order to be safe from future attacks by Osama bin Laden and his terrorist network, Americans collectively said, "Go for it," despite the possibility of thousands of casualties.

Then later, when President Bush claimed that Saddam Hussein directly threatened the security of the United States because he had weapons of mass destruction, Americans once again wholeheartedly supported the effort to destroy him and his government, even if, as some folks claimed at the time, casualties might number in the thousands, and might involve horrible deaths caused by chemical and biological weapons.

But when it became apparent after the ground action ceased in Iraq that Saddam had not been as great a threat to U.S security as the President had maintained, Americans didn't like it. But, since casualties had been relatively low, they were mostly willing to take credit for having done a grand and noble thing by ridding the Iraqis of an evil dictator. And the Bush crowd breathed a sigh of relief and began talking up this wonderful humanitarian action they had accomplished.

But then, when casualties began to mount again, the Bush folks began trying to justify the continued loss of American lives by citing the humanitarian effort, and they found, much to their chagrin, that this is a losing proposition. It can't be sustained. Giving money to make other people happy is fine. Sacrificing American lives to make other people happy just doesn't cut it.

So the task ahead for the Bush administration, as I see it, involves convincing the American people once again that the battle over Iraq is directly — very directly — linked to American security. The argument that the enemy over there killed 20 American soldiers but that that is

okay because the Iraqi people now have more electricity than they had when Saddam was running the place simply won't sell. In fact, it's an insult. I believe it is safe to say that the vast majority of Americans don't give a damn whether the Iraqi people have electricity, or even candles for that matter, if the cost of providing them with this luxury is the life of a single American soldier.

To put this another way, I think the Bush administration will lose the war for the hearts and minds of the public unless it stops measuring "success" in Iraq by how many amenities we have been able to provide the Iraqis. There most assuredly is a long-term link between this accomplishment and American security. But it is not one that is easily explained to the American people while they are mourning the daily loss of lives among their sons and daughters.

My advice to the Bush White House if I were asked, which I won't be, would be to heat this conflict up. Stop talking about how good the "average" Iraqi has it now that American troops are there, because no one cares. Reestablish the direct link between the American military presence in Iraq and the goal of destroying a dangerous enemy. If the link is real, then Americans will understand and support the effort. If it is illusionary, or casual at best, then it is probably time to leave anyway.

For starters, tanks and fighting vehicles need to be used to kill the enemy, not to hide in. Helicopters need to be used to kill the enemy, not to ferry troops around the countryside. If this is being done, then the American people need to know about it.

This is not meant to be military advice. It is an observation concerning the all-important war for the support of the American public, which the Bush White House is going to lose if it doesn't do something, and do it soon.

SCORE ANOTHER BIG ONE FOR BUSH. Exactly a year from yesterday, Americans will go to the polls to pick their next President. And while the presidency of George W. Bush has, in many ways been as troubled, if not more troubled, than was that of his father, it is still a pretty solid bet that more voters will pull the levers, push the buttons, or punch the chads next to his name than those next to the name of his opponent, whoever he (or she?) may be. Indeed, despite continued concern about the ultimate outcome in Iraq, Bush appears actually to be improving his chances for reelection.

He could, of course, still screw this thing up, as Mark and I have repeatedly noted. It is not for nothing, after all, that the GOP has earned the moniker "the stupid party." Most notably, Bush could, as Mark notes in the above article, lose the battle for the hearts and minds of the American people over Iraq, thereby defaulting the election to his Democratic opponent.

Nevertheless, things are not looking encouraging for Dean, Kerry, Clark, Sneezy, Dopey, and the rest of the dwarfs, if for no other reason than the release last Thursday of the GDP report, which revealed the strongest quarterly growth since 1984. This just happens to be the year in which Ronald Reagan gave Walter Mondale one of the most lopsided drubbings in American political history, besting him 49-1+, with the "+," standing for the District of Columbia and its underwhelming 2 electoral votes.

Incidentally, 1984 was also the year in which the current President's mother, former First Lady Barbara Bush took her first crack at political punditry, coming up with what may have been the best line of a campaign filled with great lines when she called one of her husband's opponents, Democratic Vice Presidential nominee Geraldine Ferraro, "something that rhymes with rich." A couple of weeks ago, Mrs. Bush took another run at it, this time calling the nine Democratic presidential wannabes "a pretty sorry lot." And indeed they are.

You see, as Mark and I have written several times before, the Democratic presidential hopefuls have, with one or two exceptions, couched their campaigns exclusively in terms of opposition to George W. Bush. And while this is all well and good for throwing red meat to the angry factions of the party who both openly admit and revel in their hatred of the President, it hardly seems a terribly practical strategy for winning over average Americans, particularly given the good economic data mentioned above.

Now, I know that there are all sorts of caveats about what those numbers actually mean, as well as speculation that they will, quite possibly, be revised downward. I also know that growth at such a pace is unsustainable and will almost certainly slow to a more reasonable level in the 4th quarter. But all of that notwithstanding, unless something dramatic and unprecedented happens to the economy over the next several months, then the Democrats are in serious trouble. The very virility of the expansion in the last quarter, coupled with the intense media coverage that the numbers were afforded given their uncommonness, will make it exceptionally difficult for Democrats to convince anyone other than intractable partisans that their economic attacks on Bush are founded on anything even resembling reality, regardless of caveats or revisions.

Indeed, the ironic thing about the economic announcement last week was that many pundits and commentators suggested that this meant that "the economy will not be a factor in next year's election," when in fact just the opposite is true. The real meaning behind the announcement is that the economy *will* be a factor, probably a more significant factor than it might otherwise have been. But it will be a factor heavily favoring George Bush.

Indeed, given the timing of the second tax cut and the subsequent robust upturn, President Bush will be able to make a very plausible case that his economic policy is the very weapon that finally killed the persistent economic downturn, which began six weeks after he took office and which was abetted by Osama bin Laden six months later. And this, in turn, will severely thwart any Democratic efforts to advance on the home front, at least if they intend to use the arguments that have thus far comprised their domestic agenda, such as it is.

Let us take a look at said agenda, piece by piece, bearing in mind the likely impact of last week's economic news.

Talking Point #1: Attack Bush for the weak economy. It should go without saying that this one is now a loser. A few weeks back, Dick Gephardt declared that President Bush had the worst economic record since Herbert Hoover, which was the same thing, incidentally, that Al Gore said about George H.W. And while such an argument might have seemed potentially persuasive to a certain crowd a month or so ago, particularly given the fact that pollsters say that most people have no idea that the recession has been over for nearly two full years, the

overwhelming press coverage that last week's numbers received make such an argument seem far less reasonable today.

In fact, as the economic upturn continues, and as the equity markets prepare again to breach 10,000 and 2000 respectively, such wild and reckless claims will almost certainly come to be seen by the public as thoroughly detached from reality. When Howard Dean stood up the day after the GDP numbers came out and declared that "President Bush has compiled the worst economic record since the Great Depression," the immediate reaction should have been to feel the good doctor's forehead to check him for a delusion-inducing fever.

Now, some Democrats and others inclined not to favor the President's economic policies have suggested that this surge in GDP growth is no cause for excitement. For example, *New York Times* columnist and Princeton economics professor Paul Krugman, the quintessential anti-Bush economist, wrote on Friday that this may be yet another example of wishful thinking on the administration's part. He put it thusly:

The Commerce Department announces very good growth during the previous quarter. Many observers declare the economy's troubles over. And the administration's supporters claim that the economy's turnaround validates its policies.

That's what happened 18 months ago, when a preliminary estimate put first-quarter 2002 growth at 5.8 percent. That was later revised down to 5.0. More important, growth in the next quarter slumped to 1.3 percent, and we now know that the economy wasn't really on the mend: after that brief spurt, the nation proceeded to lose another 600,000 jobs.

The same story unfolded in the third quarter of 2002, when growth rose to 4 percent, and the economy actually gained 200,000 jobs. But growth slipped back down to 1.4 percent, and job losses resumed. My purpose is not to denigrate the impressive estimated 7.2 percent growth rate for the third quarter of 2003. It is, rather, to stress the obvious: we've had our hopes dashed in the past, and it remains to be seen whether this is just another one-hit wonder.

But unfortunately for Krugman and, by extension, the Democrats who venerate him, such arguments are unlikely to hurt Bush, now or next November, and they may, in fact, be precisely the type of argument Bush and his team want their opponents to be making at this point. Sure, growth stalled twice before, but that was before, among other things, the second tax cut. In short, the economic incentives are different today than they were in the two quarters cited by Krugman. Which brings us to....

Talking Point #2: Attack Bush's tax policy. Democrats can and will certainly blather on endlessly about "irresponsible tax cuts" and "tax cuts for the wealthy," but as the expansion continues, they might as well be talking to a wall. Call it luck; call it sound fiscal policy based on immutable economic principles; call it whatever you want. But the bottom line here is that President Bush said that the passage of the second tax cut would spur economic growth very quickly, and he now has all the ammunition he needs to make the case that he was right.

Eliminate the “phase-in” and cut marginal rates immediately, he and his economic team argued last spring, and things will get much better right away. And *voila*.

Democrats can argue until they’re blue in the face about coincidence and business cycles, but Bush has the benefit of being on record as saying “cut taxes, and growth will come.” And this is, incidentally, not just a victory for Bush, but a victory for supply-siders and Reaganite tax-cutters in general. In the 2001 tax bill, the most important marginal rate cuts, those favoring the higher brackets, were put on hold, while the Keynesians won their \$300 stimulus rebates. And things didn’t work out quite as planned. In 2003, though, the Keynesians idea of “stimulus” was shelved in favor of the more subtle and investment-geared “economic incentives” argument. And . . . well, you know the rest.

Talking Point #3: Attack Bush for the loss of jobs. Up until now, this may have been a reasonably successful line of attack. But it likely won’t be in the future. Yes, employment is a lagging indicator. But much to the Democrats’ dismay, the lag most probably isn’t going to last into the election year. Recent jobs data show modest improvement, and with GDP exploding and inventories low, most economists expect the job situation to improve as well. Given the rate of expansion, some experts are forecasting as many as 200,000 new jobs per month over the next three-to-four quarters. If they are correct, then the creation of 2,000,000 new jobs before the election, which Treasury Secretary John Snow recently predicted (to Democratic jeers, by the way), doesn’t seem so far-fetched. And finally . . .

Talking Point #4: Attack Bush for the return of and rise in the federal deficit. Democrats have for some time been hitting hard the Rubin-omic theme that deficits in and of themselves beget higher interest rates and thereby create a drag on the economy, despite the lack of empirical evidence supporting the theory. But since Bush enacted his first tax cut in 2001, their reliance on this theme has increased arithmetically.

Indeed, one of the key arguments against the Bush administration’s economic policy (and, in some cases, against its foreign policy as well) has been that it is irresponsible, in large part because it presaged the return of deficits. Howard Dean’s bizarre assertion that he is a fiscal “conservative,” a claim which is abetted by an ignorant or deceitful mainstream media, is based entirely on the fact that he, as Governor of a state smaller than most medium-sized cities and without a defense department, favored balanced budgets. This, Dean claims, gives him the *bona fides* to heap abuse upon the “irresponsible” deficit spending undertaken by Bush.

And while I am not suggesting that Bush is free from criticism on this matter, I have learned over the years that voters tend not to get too worked up about deficits. No one outside of Washington cared much about the rebirth of deficits in the first place. And in light of the economic news reported last week, people are likely to care even less, if, of course, that’s possible.

If things play out the way they almost always do, by next spring, tax receipts based on the second half of this year will be flowing into the Treasury, and the government’s haul will be showing considerable growth year-over-year. In turn, deficit forecasts will decrease, and Democrats will have lost another argument.

Bush's opponents have steadfastly and adamantly refused to acknowledge that the largest single factor in the return of and increase in the deficit was the economic downturn, preferring instead to blame it exclusively on a tax cut, which was neither anywhere near as large as the deficit nor, at one point, had even taken effect. Next spring, when the deficit picture improves, as it almost certainly will, they will then have no cogent explanation for how this can be so. Of course, come to think of it, cogency has never exactly been a prerequisite for their economic arguments.

In any case, that's all there is. Those four points, all of which were damaged seriously by last week's big economic news, comprise the entirety of the Democrats' program to win back the White House from George W. Bush.

Yes, of course, Dick Gephardt has actually offered something that can be described as "novel" or "fresh." While the other candidates, good reactionaries that they are, have couched all of their arguments in terms of how they would attempt to undo what Bush has done, Gephardt has, at least, made an effort to offer something different, in this case a universal health care package. And of all the domestic policy "ideas" (if you can call them that), only this one emerged from last week unscathed, because only this one is not predicated principally on the premise that Bush is screwing things up royally.

Unfortunately for Democrats, Gephardt looks less and less like he has much of a chance. Depending on the poll, he is still close to or leading Dean in Iowa, a must-win state for the Missourian. But he's struggling mightily. In a big blow last week, the Service Employees' Union (SEIU), the largest member union in the AFL-CIO, leaked word that it would either endorse Dean or would withhold its endorsement. And while Gephardt could, in theory, survive without SEIU, he can't survive without the larger federation, and SEIU's action constitutes a great threat to AFL-CIO President John Sweeney's plan to push "anyone but Dean." If Gephardt can't get labor backing, then he is done.

And if Gephardt is done, then the Democratic Party's domestic agenda appears done as well. Sure, Democrats will try to make hay where they can. They'll resurrect the same tired critiques they used against Reagan when the economy was humming along; they'll accuse Bush of encouraging corporate greed and enhancing the overall economy at the expense of "the little guy." But those denunciations aren't likely to work any better against George W. than they did against the Gipper, particularly given the way most of them looked the other way when it came to greed and corruption during the 1990s.

In the end, then, the Democrats will be left in the awkward and disconcerting position of pinning their hopes for electoral success next fall on the expectation that things are going to go very badly in Iraq, which is not exactly what you'd call a real recipe for success.

THE WAR FOR HEARTS AND MINDS. In the opening article, Mark suggests that part of the Bush administration's trouble with Iraq is that it has done a dreadful job of making its case to the public about what is happening over there and why. Not a week goes by that Mark and I don't have at least one interminably long discussion about whether the administration is simply unable or unwilling to communicate better with its constituents or whether there is something more troubling at work.

We are not alone. Similar discussions are taking place throughout the nation, and have been particularly acute on the political right, where the concerns are at least twofold. The primary worry about the safety and well-being of American soldiers is joined by a lesser, but nevertheless important concern that the administration could continue to stumble its way through the Iraqi campaign, thereby defaulting the election to one of the anti-war Democrats, with dire consequences for the broader war on terror.

More often than not, Mark, I, and most of the rest on the right conclude that the administration does indeed have a plan, is executing it as well as can be expected, and will, in the course of time, be vindicated. But if this is indeed the case, then their PR is feeble at best. As Mark put it above, “the Bush White House is overlooking a very important fact in their public relations campaign on behalf of this effort, and if they don’t wake up to this problem soon, they are going to be in very deep trouble.”

It was therefore with a mix of sadness, gratitude, and relief that we read our friend Rich Galen’s “Mullings” from last Monday, in which he revealed that he is shelving his column indefinitely, trading in the tools of a cyberscribe to become a “civilian employee of the United States Department of Defense with the task of helping to see that the full story of what the US is accomplishing and what the Iraqis are accomplishing in Iraq is being told to viewers, listeners, and readers in America and around the world.”

For those of you who don’t know, Rich was the press secretary for Dan Quayle when Quayle was in the House and Senate, and served in the same position for Newt Gingrich when Gingrich was minority whip. Rich also worked for Newt as Communications Director of the political office of the Speaker and later ran GOPAC. In short, Rich is an excellent hire for DoD and will do a great job at helping the administration bridge the communication gap between itself and the American people.

I have long believed that the one downside to President Bush’s exceptionally strong sense of moral conviction is his attendant belief that he does not need to defend his actions because their rightness is manifest. And while that may, on some metaphysical level, be so, it nevertheless makes winning the PR war difficult.

As such, both Mark and I would like to think that hiring Rich is the first step in admitting that the PR war needed top notch reinforcements. We would also like to think that with Rich’s manifold talents harnessed, victory on this front is assured.

Best of luck, Rich.

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