

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

"But the opposition to the gold standard in any form--from a growing number of welfare-state advocates--was prompted by a much subtler insight: the realization that the gold standard is incompatible with chronic deficit spending (the hallmark of the welfare state). Stripped of its academic jargon, the welfare state is nothing more than a mechanism by which governments confiscate the wealth of the productive members of a society to support a wide variety of welfare schemes. A substantial part of the confiscation is effected by taxation. But the welfare statist were quick to recognize that if they wished to retain political power, the amount of taxation had to be limited and they had to resort to programs of massive deficit spending, i.e., they had to borrow money, by issuing government bonds, to finance welfare expenditures on a large scale."

Alan Greenspan, "Gold and Economic Freedom," *The Objectivist*, 1966, later reprinted in Ayn Rand's book, *Capitalism, the Unknown Ideal*.

WHAT'S \$400 BILLION AMONG FRIENDS? The on-going meltdown of the Democratic Party has been a recurring theme in these pages for almost a decade now, beginning with an article I wrote in the mid Clinton years questioning whether the priapic Arkansan was not a Republican secret agent who had worked his way into a high position of trust within the Democratic Party with the sole purpose of destroying it.

Each article on this subject over the years, including several written by Steve in the past two months, has contained unqualified cheer over this development. But last week an event occurred in Washington which made both of us realize that while it is fine to celebrate the declining influence of the party of Ted Kennedy and Hillary Clinton, it is important not to lose sight of the fact that an ideology as old and powerful as American liberalism will not fade into oblivion simply because its long-time supporters lose power, but will, like some sort of determined parasite, find new, more powerful hosts to carry the message forward.

The event that spurred these thoughts was the announcement by the National Association of Retired Persons that it would strongly support President Bush's proposed vast expansion of the Medicare program. The Democratic Party's leading liberals, who oppose the Bush initiative on

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the grounds that it does not go far enough, reacted to the AARP's move with abject horror. How could the AARP, one of the most powerful bastions of liberalism in Washington, abandon the Democratic Party in the midst of so important a fight, they asked? Why, haven't we been joined at the hip since the beginning of time?

Many Republicans chortled, licking their chops over the prospects of joining forces with the AARP to woo the nation's elderly citizens, who have, since the days of Roosevelt, been one of the Democratic Party's most loyal voting blocks.

Steve and I gagged. For we recognized that the decision by the AARP to support Bush's Medicare bill did not represent a rightward shift in the ideology of the old-line lefties who run that organization, but was instead a recognition on their part that the Bush White House has assumed the mantle of leadership for expansionary, big government, and that it was time that they signed up formally in exchange for a seat at the table when the spoils are divided.

This was, we felt, a Faustian bargain, whereby the Bush administration sold the Party's conservative soul in exchange for long-term supremacy over a monstrous federal establishment, or to borrow the words from Marlowe's *Doctor Faustus*, for "a world of profit and delight, of power, of honour, of omnipotence . . . all things that move between the quiet poles." Better, we thought, that people who call themselves conservatives had been strangled in their cribs than to have struck such a bargain.

Now I know that this is a bit dramatic. But it is time, we think, for us to once again express our fear and loathing of a White House that has refused to make even a nominal effort to cut the size, power, and growth of the federal government; which has, in fact, been hell bent on making the federal Leviathan larger, more powerful, and more intrusive at every opportunity.

I first became concerned about this President's commitment to fiscal discipline when he began jabbering endlessly about "compassionate conservatism" during his election campaign. I stated these concerns as follows in the fall of 2000 in an article entitled "Some Thoughts on the GOP Convention."

I am more than a bit uneasy about Bush's "compassionate conservative" slogan. In fact, I don't like it at all. And I wonder how traditional conservatives, who have fought the good fight for so many years against the false compassion of modern day liberalism, could bring themselves to rally behind such liberal jingoism.

Is there no program that the liberals created during the past 60 years that "compassionate conservatives" believe could use a little trimming? Should the entire government be fully funded each year at their prior year level and then some? Should lots of new programs be added? That's what it sounded like to me last week. Are all the departments, branches, divisions, offices, and bureaus necessary and useful? If not, which aren't?

But I must say that never in my wildest dreams did I believe that this self-professed conservative President would champion a giant new federal entitlement program of a kind not seen since the disastrous "guns and butter" days of Lyndon Johnson; a program with an official price tag of \$400 billion (that's *\$400 billion*), but which is certain to cost considerably more.

And I surely did not think he would do it at a time when the United States is involved in a war that, in his own words, “will require sacrifices” on the part of every American; when the Medicare program is already facing severe financial trouble as the baby-boomers approach retirement age; when the federal coffers are awash in red ink; and when no one can be certain that another enormously costly, economically disruptive terrorist attack is not in the offing.

This is insane. Or to be more specific, this is another sad example of an administration that proudly calls itself “conservative” because it sides with the Christian community on governmental matters concerning religion and moral issues, but is so intellectually and politically shallow that it fails to realize that its relentless push to expand the size, scope, power and intrusiveness of the federal government is feeding growth hormones to a monster that will eventually destroy the same conservative values for which it fights so proudly.

One listens in vain for even a hint from the White House about funding sources for this program. The only mention I could find was one line in a brief message from the President to Congress, which states that “there’s \$400 billion additional dollars available for our seniors in this bill.” Available from where? From whom? Did the White House win the Power Ball? Are there plans to cut spending on other programs? He certainly won’t raise taxes. So one has to assume that he will simply borrow the money. And if this is so, has anyone considered the impact that such borrowing will have on the financial health of the elderly Americans who are going to receive the “free” drugs?

If that kind of money is available at no cost to the economy or to the social fabric of the nation, then why have any deductible at all? Why not simply give drugs to the elderly? Why not give free drugs to everyone? Why not pay homage to Janice Joplin and buy everyone a Mercedes Benz? Hoop di doo! I hear a polka and my troubles are through. Is everybody happy?

I chose the 37-year-old quote from Alan Greenspan for the “They Said It” section of this week’s newsletter to demonstrate that there was a time when there were people around who defended fiscal responsibility. But I should note that this current effort by Bush to add a drug benefit to Medicare has nothing to do with the welfare state to which Greenspan refers in that passage.

If helping “the poor” were the goal, Bush could have simply offered extensive federal incentives to states to expand the drug coverage in their various Medicaid programs. But this bill is not about taking from the rich and giving to the poor. This is about a vast redistribution of wealth among Americans of all classes, not out of compassion, as the President would have everyone believe, but on behalf of the liberal idea of making society more “fair,” and in the process shifting even more power to the elite Washington political establishment.

Space does not permit an extensive exploration of this thought. But the following paragraphs offer an insight into the process, as defined by the brilliant French political scientists Bertrand de Jouvenel. They are from an article I wrote in March 1994, originally titled “To Define Clinton, Try ‘Utopian Redistributivist,’ Rather Than ‘Socialist’”

Recalling one of Friedrich Hayek's most important theses, de Jouvenel notes that redistributivism is based on the mistaken believe that government bureaucrats know

"how to achieve the maximum sum of individual satisfactions capable of being drawn from a given flow of production, which must always be assumed to be unaffected" . . . The end result of redistributionalism, he says, is an enormous strengthening of the state. Here I'll let Baron de Jouvenel speak for himself.

"The State sets up as trustee for the lower-income group and doles out services and benefits. In order to avoid the creation of a 'protected class,' a discrimination fatal to political equality, the tendency has been to extend the benefits and services upward to all members of society, to cheapen food and rents for the rich as well as the poor, to assist the well-to-do in illness equally with the needy."

"The more one considers the matter, the clearer it becomes that redistribution is in effect far less a redistribution of free income from the richer to the poorer, as imagined, than a redistribution of power from the individual to the State."

"Insofar as the State amputates higher incomes, it must assume their savings and investment functions, and we come to the centralization of investment. Insofar, as the amputated higher incomes fail to sustain certain social activities, the state must step in, subsidize these activities, and preside over them."

"This results in a transfer of power from individuals to officials, who tend to constitute a new ruling class . . ."

I will run the entire piece on Jouvenel's insightful book, *The Ethics of Redistribution*, as next Friday's "From the Archives" offering. In the meantime, I would note that among the many negative consequences of radical redistributionism is a diminution of the importance of the family and other traditional social institutions, for within these institutions wealth transfers occur that "upset the favored distribution."

Of course, this one bill will not destroy American society. Nor will it bankrupt the federal government, even when coupled with the unpteen billion dollar energy boondoggle that the Bush crowd is also pushing through Congress at this time, or the \$100 billion-plus it pushed through Congress a month or so ago to provide our friends the Iraqi's with electricity.

In my opinion, however, it does mark the end of any hope that the United States might ever serve as a beacon of individual freedom, fiscal responsibility, and honesty in a world that is already overwhelmed by giant bureaucratic governments, unseemly amounts of debt, and increasingly large doses of the corruption which feeds on both.

What I do know is that someday the piper will be paid. In the meantime, here in Washington, the dance macabre goes on, "compassionate conservatives" rule, and life is sweet.

SPEAKING OF DEBT. As most readers know, I have always enjoyed poetry. So I decided just over a year ago that every Sunday evening I would share, via the wonders of e-mail, a favorite poem of mine, along with a brief essay discussing the verse, the author, or some other aspect of the work that I find interesting. You can see what I am describing by visiting our web

site, www.thepoliticalforum.com, and clicking on the “Poetry” tab. And if you, your wife, kids, or friends would like to be added to the e-mail list, just let me know. Everyone is welcome.

In the meantime, the article, featured above, which concerns President Bush’s proposed new \$400 billion federal drugs-under-Medicare program, to be financed entirely via new federal debt, reminded me of a poem I have always liked by the contemporary, award-winning American poet, R.S. Gwynn. So I thought I would share it with newsletter readers this week as an advertisement for my poem-a-week service, and as a reflection of my view of the eventual consequence of President Bush’s addiction to debt. It is entitled, appropriately enough, *The Debt*.

He is the one you wouldn’t care to know.
He takes your arm with damp, fish-smelling hands
And gives no clue when he intends to go.
After an hour or so, he makes demands
That everyone must leave, and so they do.
The clock chimes midnight faintly, and you find
No company around but him and you.
He claims he has a need to speak his mind.
The first thing he reveals is what you own;
The second, how you shall be made to pay
For everything you thought you bought so cheap.
There in that chilly room, beside a heap
Of crumpled papers, you two sit alone.
He tilts his glass, and settles in to stay.

ANTI-SEMITISM: THE CANARY IN THE MINE. Last Monday, the *Wall Street Journal’s* Opinionjournal.com ran a lengthy article on the origins and common expressions of anti-Semitism by Natan Sharansky, the Israeli minister for Jerusalem and Diaspora affairs. As a former Soviet dissident who suffered disproportionately because he is a Jew, Sharansky is all too familiar with his subject, and his piece, which was adapted from presentations made last summer and which first appeared in *Commentary*, is, without question, a must read for anyone who is concerned about the subject in general, or troubled by the global upsurge in anti-Semitism over the past several years.

While Sharansky’s contribution to the discussion of anti-Semitism is valuable on many levels and for many reasons, two points were, in my opinion most interesting and most important.

The first is his explanation for the rebirth of anti-Semitism and the intensification of anti-Israeli sentiment in the West over the last 35 years. Prior to the Six Day War in 1967, Sharansky writes, much of the West, including the intellectual left, supported a weak, socialist Israel and actually sided with that nation in its struggles against the Arab world. However, after a swift and unexpected Israeli victory, things changed. To illustrate this point, Sharansky offered an old and “possibly apocryphal” story about Jean Paul Sartre, a leading figure among the leftist elite at the time, which perfectly “encapsulates the shift in the European mood.” According to Sharansky:

Before the war, as Israel lay diplomatically isolated and Arab leaders were already trumpeting its certain demise, the famous French philosopher signed a statement in

support of the Jewish state. After the war, he is said to have reproached the man who solicited his signature: 'But you assured me they would lose.'

The problem with a victorious Israel, Sharansky continued, was that it upset the sensibilities of the intellectual left by sullyng their moral system. In describing this "clash of values," Sharansky put it thusly:

Decades before 'occupation' became a household word, the mood in European chancelleries and on the left turned decidedly hostile. There were, to be sure, venal interests at stake, from the perceived need to curry favor with the oil-producing nations of the Arab world to, in later years, the perceived need to pander to growing Muslim populations in Western Europe itself. But other currents were also at work, as anti-Western, anti-'imperialist,' pacifist and pro-liberationist sentiments, fanned and often subsidized by the U.S.S.R., took over the advanced political culture both of Europe and of international diplomacy. Behind the new hostility to Israel lay the new ideological orthodoxy, according to whose categories the Jewish state had emerged on the world scene as a certified 'colonial' and 'imperialist' power, a 'hegemon' and an 'oppressor.'

This depiction, I think, compares rather favorably with an article I wrote for the March 17 issue of this newsletter entitled "Radicals Threaten Democratic Coalition." In it, I explored the growth of anti-Semitism on the American political left, and made the case that this was particularly noteworthy and politically significant in light of the fact that the Democratic Party has been the overwhelming choice of Jewish voters throughout most of the 20th century.

In attempting to explain this development, I pointed out that the American left has become increasingly radicalized in the past several decades. Whereas the political disagreements between left and right in the United States once took place over differing interpretations of the requirements of traditional Judeo-Christian teachings, the new left now engages the right on a battleground of competing moral systems. I noted that we are no longer talking merely about rich versus poor. I put it this way.

Rather, we are talking about the broader and more general terms of dominant class versus subordinate class, of a morality based on the concepts of the oppressors and the oppressed. The left (not all Democrats, mind you, but the movement's left wing, the true liberals), the Marxists, generally define right and wrong in these terms: what helps the oppressors is by definition evil, and what helps the oppressed is by definition good."

In practical terms, good is defined as that which benefits workers, or ethnic minorities, or women, or indigenous peoples, etc. Evil is that which benefits capital, white men, men in general, imperialists, and so on . . . The anti-war movement in this country is misnamed; it is not principally "anti-war." It is, principally, anti-Bush, anti-Republican, anti-American. It is, in short, anti-oppressor, where *oppressor* is defined as America, American interests, and most importantly, Jews . . .

For protecting Israeli citizens from suicide bombers, the Israeli Defense Forces (IDF) are compared to the brownshirts and storm troopers. And for having the temerity to have and support a democratic homeland within the sea of Arab autocracies, the Jews

(not just Israelis, but all Jews) are compared to the Nazis, the greatest evil the leftists can imagine. (Never mind that Stalin, their guy, killed nearly twice the people Hitler did; such facts are inconvenient.) For these people, the Jews, who were once understandably thought of by the left as “the oppressed,” have suddenly become the “oppressors.”

The point of all this is that the left, especially in Europe but increasingly here at home as well, has not just taken the side of Israel’s enemies in the dispute over whether Israel has a right to exist as a nation. But it has imbued this political position with large doses of ideologically inspired anti-Semitism in an attempt to enlarge the battlefield well beyond the boundaries of the Middle East.

And this brings us to the second part of Sharansky’s analysis; namely his dismissal of “scapegoating” as an explanation for anti-Semitism, both historical and contemporary. He writes:

Perhaps the two best known [transhistorical explanations of anti-Semitism] are the “scapegoat” theory, according to which tensions within a society are regulated and released by blaming a weaker group, often the Jews, for whatever is troubling the majority, and the “demonization” theory, according to which the Jews have been cast into the role of the “other” by the seemingly perennial need to reject those who are ethnically, religiously, or racially different.

Clearly, in this sociological approach, anti-Semitism emerges as a Jewish phenomenon in name only. Rather it is but one variant in a family of hatreds that include racism and xenophobia. Thus, the specifically anti-Jewish violence in Russia at the turn of the 20th century has as much in common with the ethnic cleansing in Bosnia at the turn of the 21st as it does with the massacres of Jews in the Ukraine in the mid-1600s. Taken to its logical conclusion, this theory would redefine the Holocaust – at the hands of some scholars, it *has* redefined the Holocaust – as humanity’s most destructive act of racism rather than as the most murderous campaign ever directed against the Jews . . .

George Orwell offered a similar observation in 1944: ‘However true the scapegoat theory may be in general terms, it does not explain why the Jews rather than some other minority group, are picked on, nor does it make clear what they are the scapegoat for.’

Now, I will concede that both Sharansky and Orwell are much smarter than I am. And I’ll also concede that both are correct that any description of anti-Semitism as “scapegoating” is inadequate, as it does not explain why Jews in particular have been singled out time and again for the better part of recorded history.

Nevertheless, I think that both dismiss the scapegoat angle too readily, because they concentrate on those who are scapgoated, rather than on the motives of those doing the scapgoating. Setting aside the question of “why the Jews?” and instead asking the question “why the scapegoating,” one cannot escape the conclusion that anti-Semitic scapegoating is, quite often, an early warning sign of societal breakdown and greater trouble to come.

For example, the reason that few people were surprised, shocked, or outraged by the recent anti-Semitic outburst by Malaysian Prime Minister Mahatir Mohammed is that such ranting has, by and large over the last decade, become commonplace in the Muslim world, which is in the midst of what can only be viewed as a steady descent into religious, economic and political chaos.

Beset by a feeling of helplessness and failure, it is no wonder that Islamic leaders throughout the world are looking for a scapegoat. And what better one than Jews, and by extension Israel, whose military, economic and political successes serve to call attention to the failure of Islam to live up to its claim of superiority.

But the Muslim world does not hold the monopoly today on anti-Semitic scapegoating. Indeed, I think it is no mere coincidence that a majority of European youths recently told pollsters that they believe Israel to be the greatest threat to peace on the planet. As the nations of Western Europe have grown more and more helpless, and less and less unable to manage their own destinies, they have looked for someone to blame. And while that blame is most often and most visibly assigned to the United States, old habits apparently die hard, as Jews still receive a considerable chunk of condemnation.

The same, by the way, can be said about the political left in this country. As Mark and I have noted repeatedly over the last several months, the left is losing power at a shocking pace, and many of its adherents have sought to blame others for this breakdown. And while most have, as I noted a couple of weeks go, blamed nasty, manipulative Republicans, some of the more radical elements have emulated their European brethren and sought to scapegoat Jews. Indeed, that was the point of the March 17 piece in which I first raised many of these issues.

As potentially dangerous and destabilizing as this European/leftist anti-Semitic turn may be, it probably pales in comparison to the danger posed by the resurgence of full-throated anti-Semitism in Russia. While many observers of Russian history and governance have noted that Vladimir Putin is emulating the czar in consolidating power, few have noticed that he is also, like the czars, doing it at the expense of Russia's Jews.

While the Western media have tried to explain Putin's arrest of Mikhail Khodorovsky and the attendant seizure of Yukos Oil assets in terms of Yukos's attempts to "Westernize" and become a more honest and transparent company, few have noted that Khodorovsky shares one thing in common with the other "oligarchs" who are being hounded by the Putin regime. He is, of course, Jewish. As Bruce P. Jackson, president of the Project on Transitional Democracies, recently wrote:

For those who have not kept up their Russian, "oligarch" is a term of art for "rich Jews" who made their money in the massive privatization of Soviet assets in the early 1990s. It is still not a good thing to be a successful Jew in historically anti-Semitic Russia.

Since Putin was elected president in 2000, every major figure exiled or arrested for financial crimes has been Jewish. In dollar terms, we are witnessing the largest illegal expropriation of Jewish property in Europe since the Nazi seizures in the 1930s.

And of what, you ask, might be the resurgence of anti-Semitism in Russia be a warning sign? Well, according to Jackson:

We must now recognize that there has been a massive suppression of human rights and the imposition of a de facto Cold War-type administration in Moscow. It is not too soon to wonder if we are witnessing the formal beginning of a rollback of the democratic gains we have seen in Central and Eastern Europe, in Ukraine and elsewhere since the fall of the Berlin wall in 1989.

Mark has written several times recently about the uncertainty and instability in Putin's Russia, and the problems that may pose in the intermediate future. We can't say that we weren't warned though, for like other potential global trouble spots, Russia tipped us off early with the resurrection of its anti-Semitic past.

So with all due deference to the inestimably brave and brilliant Natan Sharansky, theories of scapegoating have their place and serve a useful purpose. The only question is whether the rest of the world is paying close enough attention to heed the warning signs.

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