

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

“State power, considered in the abstract, need not restrict freedom: but absolute state power always does. The *legitimate* functions of government are actually conducive to freedom. Maintaining internal order, keeping foreign forces at bay, administering justice, removing obstacles to the free interchange of goods – the exercise of these powers makes it possible for men to follow their chosen pursuits with maximum freedom. But note that the very instrument by which these desirable ends are achieved *can* be the instrument for achieving undesirable ends – that government can, instead of extending freedom, restrict freedom. And note, secondly that the “can” quickly becomes “will” the moment the holders of government power are left to their own devices. This is because of the corrupting influence of power, the natural tendency of men who possess *some* power to take unto themselves *more* power. The tendency leads eventually to the acquisition of *all* power – whether in the hands of some or many makes little difference to the freedom of those left on the outside.”

-- Barry Goldwater, *The Conscience of a Conservative*, Victor Publishing Company, 1960.

THE ERA OF SMALL GOVERNMENT IS OVER. In case you have forgotten, it was almost eight years ago, January 23, 1996 to be precise, that Bill Clinton declared in his third State of the Union speech that the “era of big government is over.”

This was nonsense, of course, and we all knew it. Nevertheless, it offered a welcome glimmer of hope to advocates of smaller government because it came from a liberal Democratic president, a man who had spent his entire political career advocating larger government. It also came not too long after this president had suffered an embarrassing defeat in his attempt to nationalize the nation's health care system; and at a time when Republicans were on a clear path to greater national political power.

In short, it came at a time when conservatives had reason to dream dreams that just a few years earlier would have seemed preposterous. The optimism that prevailed at the time among

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conservatives was reflected a few weeks before in my December 20, 1995 “Fearless Forecast” piece for 1996, entitled “It Just Keeps Getting Better And Better.”

In my opinion, 1995 will go down in history as a year in which the relentless, 60-year march across the American political landscape of the forces of egalitarianism, redistributionism, and socialism were finally placed in check, if not halted. Government didn’t shrink enough, capital gains weren’t indexed, and term limits and a balanced-budget amendment weren’t enacted. And yes, Republicans are right now in the midst of a tough fight with Clinton and Congressional Democrats over budget priorities, and at times they appear to be getting the worst of it.

But overall, Washington looks pretty good, especially when one considers that 18 months ago, the White House and Congress had just enacted a huge retroactive tax increase and Hillary Rodham Clinton had just been kissed on the cheek by House Ways and Means Committee Chairman “Danny” Rostenkowski in a symbolic joining of the two, then-powerful liberal forces for the purpose of nationalizing the nation’s entire health care system.

Today, the GOP firmly controls both houses of Congress, Danny is awaiting trial, and Mrs. Clinton is desperately trying to avoid a second, less friendly trip to Capitol Hill, and a symbolic kiss, with quite another meaning, from Senator Alfonse d’Amato.

Today, as I prepare to write my forecast piece for 2004, I can happily report that much of the hope of those days has been actualized. A tax cutting Republican occupies the White House and looks like a shoe-in for a second term. The GOP has greatly strengthened its control over both Houses of Congress in the intervening years. And the Democrats are in the midst of what many of their own supporters would admit is a full scale rout.

On a much sadder note, however, this Republican President will sign new legislation this week to create the largest single expansion in the federal government since the Great Society days, a program that Hillary Clinton would have hailed as a wonderful victory during her brief period as co-President of the United States. And all of this will occur at a time when the federal government is once again awash in red ink, and likely to remain so for years to come.

In signing this bill, this president will, in my opinion, be pounding the final nail in the coffin of the dream of smaller government, which glowed so warmly, if precariously, on that cold night in January 1996 when Bill Clinton stated that “our new smaller government must work in an old-fashioned American way, together with all of our citizens through state and local governments, in the workplace, in religious, charitable and civic associations.”

As I said earlier, we all knew that it was foolish to expect Bill Clinton to support his forecast of smaller government with concrete proposals. Indeed, he directly undermined his own prediction a few days later by submitting a budget to Congress that proposed large, across-the-board spending increases, no new savings proposals, and a host of new federal programs.

But I must say that I never expected that the dream of smaller government would eventually be snuffed out completely and forever by a “conservative” Republican President. Nor did I ever

expect that this event would occur at a time when the American conservative movement could rightly claim that it had reached a position of national influence unsurpassed since liberalism came to the fore in the early 1930s.

For all these years, I thought I was living in an “era of big government,” an era which Bill Clinton had falsely declared to be over. And now I discover that I am living during a time that future historians are likely to view as a period of relatively small government, an era which President George Bush has truthfully declared to be over.

How, Steve and I asked each other last week, could this have happened? And, after much discussion, we concluded that the answer to this conundrum is that the quest for smaller government, which was one of the proudest hallmarks of the Reagan years, is no longer a priority item on the agenda of either the Republican Party or the conservative movement. Yes, it is still somewhere way down on the official list of concerns of both groups. And if a major affront to the cause occurs, many individuals within each group will whine a great deal, as they did last week and are sure to do again this week. But to a careful observer, it is pretty clear that their hearts and minds are not in it anymore.

There are, of course, myriad reasons why the fight against big government is a rear-guard action, with little long-term hope of victory.

There is Max Weber’s observation that as a society becomes more technologically and socially complex, government grows naturally larger due to the increasing demand for bureaucrats who are trained to manage the intricate tasks involved in making such a society run smoothly.

There are a variety of theories that are based on the comparison between the wide distribution of government largess in a modern welfare state and the relatively narrow collection base in a state that is financed by a steeply graduated income tax. Most of these theories conclude that the constituency for smaller government grows smaller as the size of the government grows larger.

And there is Melcher’s “Frankenstein monster” theory, as stated in an article I wrote in October 1999 entitled “The Dawn Of A New Political Era - Part III.”

The rough bureaucratic beast, which politicians created to help them implement their ideas and plans, now has a mind of its own and a voracious appetite. It demands to be fed an ever-increasing share of the national treasure, snarling at even a hint of a cutback in its huge rations. It regularly refuses to obey orders it doesn’t like. It issues, with little if any oversight, tens of thousands of “regulations” a week, which have the full force of law behind them and which directly impact virtually every aspect of American life. More importantly, the beast is constantly building new, and shoring up old coalitions with giant private interest groups, many of which have become more powerful than any of three traditional branches of government.

In many ways it is a benevolent beast. It gives generously of its treasure to huge numbers of citizens, buying both their loyalty and their complacency. But it is also a jealous creature that works night and day to eliminate any and all competitive private sources of power, including the traditional family.

But none of these, or any similar arguments are, in my opinion, either an excuse or a reason for conservatives to have thrown in the towel in the fight against larger and more intrusive government, even if one of their own, or one who claims to be one of their own, has become President of the United States and has demanded that they surrender.

So once again, Steve and I ask each other, why have they given up? Why have conservatives acted like puppies and rolled over on their backs and peed all over themselves just because this president has scratched their stomachs? And the answer we have come up with is that somewhere along the line between the Reagan days and the Bush days the core of the nation's conservative movement has lost sight of the danger that big government poses to their beliefs.

They will stand up to the best of the liberals in arguments over abortion, gun control, welfare reform, tax cuts, traditional marriage, the proper place for religion in the public square, or any of a dozen other popular left/right issues of the day. But they seem never to have learned the lesson that was at the heart of the Reagan revolution, namely that big government is an integral part of all of these and other similar problems, and not a part of the solution to any of them.

Today's conservatives, we have concluded, seem unequipped to understand that the fight to contain the size and power of the federal establishment is not simply one of a number of items on a long list of important issues of contention between conservatives and liberals, but *the one* that will eventually settle all the others.

They write wonderfully entertaining books that are often filled with penetrating insights into the issues that divide conservatives and liberals today; books that are most often brimming with snappy and humorous jabs at their ideological opponents. But they appear never to have studied and absorbed the ideas contained in any of the great books that comprise the canon of conservative thought; and this leaves them intellectually powerless when the fight moves to the battlefield of ideas rather than issues.

THE CONSEQUENCES OF MADNESS: A ONE PARTY SYSTEM. Mark and I have spent considerable time and energy over the last several months discussing the dissolution of the Democratic Party. Today, I will spare you the particulars of another lengthy analysis of this phenomenon, noting simply that the Democrats as a whole run the very real risk of swiftly becoming less relevant than Bill Clinton's wedding vows.

It would, I suppose, be reasonable to assume that conservatives would greet this circumstance with adulation, having suffered the political dominance of Democrats for the better part of a century, and having battled the escalating lunacy of the party's liberal wing for more than a third of that time. But for many reasons, the collapse of the nation's two-party system into a one-*sane*-party system has drawbacks, not the least of which is the fact that it has curtailed rational debate on some of the most serious issues not just of our time, but in the history of the nation.

We have, of course, already seen the consequence of the Democratic Party's abdication of its faculties in the debate over Iraq. Discussion of this issue was shut down very early on, in large part because the conversation quickly turned uncivil. Though many in Congress, in the media, and in the public at large have important questions, concerns, and constructive criticisms about

the overall American effort in Iraq, such thoughts have largely gone unheeded, if not unexpressed, because the opposition Democrats have so poisoned the debate with anger, irrationality, and pure reactionary politics.

The President and the team he has fashioned to handle the war have done some very good things in Iraq and some not-so-good things. But one is loathe even to comment on the not-so-good things for fear of being lumped in with the nuts on the issue. Liberals have been running around for nearly a year now screeching about the “new McCarthyism” that has stifled debate on Iraq, when, in fact, it is they who have been largely responsible for any suppression of opinion.

The same can be said about the debate over the new \$400 billion Medicare prescription drug benefit that has preoccupied Mark and other concerned conservatives for the past couple of weeks. While a good number of individuals on the political right have serious doubts about the bill and the new entitlement it loads on top of an already fiscally troubled program, honest debate has been virtually nonexistent in part because, as Mark notes above, thoughtful conservatives are few and far between, but also because the opposition party has become completely irrational on the subject.

Think I’m being too harsh? Well, check out this exchange from last Monday night’s Democratic presidential wannabes’ debate, as recounted by *National Review’s* Byron York:

“He’s said several times he’s going to cut the rate of growth in Medicare,” Kerry said of Dean. “I’d like to know if he still intends to reduce the rate of growth in Medicare as one of the ways in which he’s going to balance the budget.”

“We’ve done a great job on health insurance” in Vermont, Dean said.

“But you still haven’t answered my question,” Kerry said.

“We’ve done a great job on kids,” Dean said.

“But you still haven’t answered my question,” Kerry said. “Do you intend to slow the rate of growth in Medicare because you said you were going to do that?”

“Well, what I intend to do in Medicare is to increase reimbursements for states like Iowa and Vermont, which are 50th and 49th respectively,” Dean answered.

“Are you going to slow the rate of growth, Governor, yes or no?” Kerry said.

“We’re going to do what we have to do to make sure that Medicare lasts.”

“Are you going to slow the rate of growth, Governor? Because that’s a cut.”

“Well, I’d like to slow the rate of growth of this debate, if I could,” Dean said, in a lame attempt to move on. Finally, Dean declared, “Medicare is off the table,” although it was not clear exactly what that meant.

Now, did you get that? That's two of the three Democratic presidential frontrunners, including the presumptive nominee, discussing Medicare and coming to an agreement that to "slow the growth rate" in the program's spending (which averages about 9.9% a year) is completely out of the question. Indeed, Dean even goes so far as to say that Medicare "is off the table."

Note that they were not talking about any old program. They were talking about a program that is dedicated primarily to managing the health care needs of senior citizens. Note as well that the presidential term both men want to serve will expire just as the number of those senior citizens will begin to explode, as baby boomers begin to reach retirement age.

Note finally that it has long been known that unless something drastic is done to account for the influx of the boomers, either by reforming Medicare or curbing the growth in benefits spending, the program will eventually amass some \$20 trillion (that's *20 trillion or 20,000,000,000,000*) in unfunded liabilities (counting the new drug package). Yet even to discuss the possibility of slowing the rate of growth – not actually cutting, mind you – is *verboten* in Democratic circles. *National Review* Editor Rich Lowry calls this the Democrats' "calculated aversion to rationality on entitlements." I call it just plain nuts.

Now, before you say, gentle conservative reader, that Democrats have always been out of touch on the subject of Medicare, let me point out that that is not so. Indeed, a number of prominent Democrats spoke and wrote quite eloquently last decade about the need to reform Medicare and other age-sensitive entitlements, namely Social Security, to save them from the pending onslaught of baby boomers. The list of Democrats who, at one point or another, embraced rational, market-based solutions to the problems associated with entitlements and population "graying" includes: Bob Kerrey, Daniel Patrick Moynihan, John Breaux, Bill Clinton, and Howard Dean. That's right, I said Howard Dean.

You see, back in 1995, Dean, then chairman of the National Governors' Association, "fully subscribed" to the idea that growth in Medicare spending had to be slowed and slowed substantially. In fact, it is this onetime support for ideas proposed by newly-empowered Speaker of the House Newt Gingrich (who, by the way, appears to have gone off his rocker on the Medicare issue as well) which earned Dean the enmity of his Democratic primary opponents, and which has turned Medicare into the hottest domestic policy issue of the Democratic primary campaign season.

But times have changed. Bob Kerrey has moved on and is now President of The New School. Moynihan is deceased. Clinton is, well, Clinton. And Breaux is, I'm fairly certain, trying very hard to resist the urges that compelled his friend and fellow Southern Democrat Zell Miller to rebuff passionately the party of his youth for its recent foray into fringe politics.

As for Dean, he now wants to be President, and in order to get a shot at becoming so, he's had to pander to the hard left and drop any semblance of sanity. Dean's defenders can claim all they want that this pander is temporary and that the little weirdo will reverse himself and move to the center in the general election campaign. And maybe he will, in fact, try to do so. But it's hard to see how that can be done gracefully and successfully, given that this has become *the* domestic issue to primary voters and that the candidate's liberal *bona fides* are at stake here.

And so while there is no rational debate on the left about Medicare and what to do about it, Bush and his Congressional allies are free to endorse and enact deeply flawed legislation with precious little serious opposition.

Don't get me wrong. I like President Bush, and I agree with him more often than not. Nevertheless, I'll be the first to acknowledge that I think he is wrong, or at least misguided about a number of very important issues, including Medicare. So it would be nice if some of these issues could be debated reasonably. Sadly, such a debate would have to include his opponents in the Democratic Party, who seem collectively and individually to be lacking in reason.

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