

The Political Forum

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

Mark L. Melcher
Publisher
melcher@thepoliticalforum.com

Stephen R. Soukup
Senior Editor
soukup@thepoliticalforum.com

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THEY SAID IT

“Hear me, people of America, God's laws live today. Keep them and none suffer, disregard them and we go the way of the missing. His word said that. Here is what He said: *"The profit of the earth is for all." Ecclesiastes: chapter 5, verse 9. . . .*

“Maybe you do not believe the Bible; maybe you do not accept God as your Supreme Lawgiver. God help you if you do not; but if you do not, then all I ask of you is to believe the simple problems of arithmetic, the tables of addition, subtraction, multiplication, and division. If you believe them, you will know that we cannot tolerate this condition of a handful of people owning nearly all and all owning nearly nothing. In a land of plenty there is no need to starve unless we allow greed to starve us to please the vanity of someone else. I can read you what Theodore Roosevelt, Daniel Webster, Thomas Jefferson, Abraham Lincoln, Ralph Waldo Emerson, all other great Americans said. Their beliefs might be stated in the following lines of Emerson: *"Give no bounties: make equal laws: secure life and prosperity and you need not give alms."* Or maybe these words of Theodore Roosevelt would be proof: *"We must pay equal attention to the distribution of prosperity. The only prosperity worth having is that which affects the mass of people."*

Excerpt from Speech delivered on floor of the U.S. Senate by Senator Huey Long (D., La.), January 23, 1935.

THE COMING DEMOCRATIC REBOUND. Some wise man once said that the key to successful prognostication is to extend the time frame of the forecast. Another, or perhaps the same one, noted that the longer the time frame the more specific the prediction can be, since the forgiveness factor increases with age. So this week I thought I would take advantage of both of these tips and discuss very specifically how the Democrats will regain the political initiative at some time in the distant future.

Before starting, I should hasten to add that I am not seriously pretending that I can confidently forecast anything many years ahead, much less something as dicey as a radical change in political leadership. What I am really doing is using long-term scenario building as a means of

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

presenting some ideas about what might be the consequences some day of events that are occurring at the present time. And I'm trying to have a little fun in the process.

I'll begin with the stipulation that, as Steve and I have been saying for a very long time now, the Democratic Party is in serious trouble, so serious in fact that a sustained rebound in its fortunes is unlikely in the absence of a severe economic turndown. It is possible, of course, that Republicans could stumble as a result of a terrible terrorist attack, a deplorable scandal, or a disastrous military adventure. But in my opinion, such an event would have to be stunning in size and importance to place the GOP on the defensive, especially since it is not certain that the Democratic Party, as currently constituted, would be able to offer a winning alternative.

Economic trouble, on the other hand, would open a very large door to the Democrats, probably large enough to drive a political party through. And just as sure as it snows in Virginia in the wintertime, there will be an economic downturn in the United States at some future point. As some other wise man once noted, "They haven't yet repealed the economic cycle."

Now I am not going to rise to the challenge of forecasting the timing of this event. I'll leave that to the economists, who make a lot more money than us poor political prognosticators. But sticking strictly to the topic of Washington, what I will say is that it is absolutely certain that President Bush and Congress will join forces to borrow and spend money like drunken sailors until my old friend Ed Yardeni's "bond vigilantes" finally rise up to smite them. There is simply no other force in the universe powerful enough to slow this dynamic spending duo down.

Of course, I am aware that the deflationary effects of "globalization" have immobilized the bond vigilantes for the time being. And I am aware that a significant period of excellent economic growth would help alleviate the deficit problem. But I am equally aware that the deflationary impact of globalization will eventually run its course, beginning in the commodities pits and moving outward from there, and that a reduction in the deficit brought on by economic growth, should that occur, would only encourage the Bush crowd and Congress to spend even more.

In short, it seems all but certain, to me at least, that the government has, to paraphrase Alan Seeger, a rendezvous with the bond vigilantes at some disputed barricade or scarred slope of battered hill. So get your friendly economist to provide the timing of this confrontation, with choices ranging from early to late in Bush's second presidential term, and I will move on to examine the prospects for politics during such time, when federal deficits will be high and rising; interest rates will be increasing; inflation will be back on the front pages; the extension of tax cuts passed years earlier will suddenly become iffy at best; baby boomers will be getting ready to apply for Social Security as well as Medicare benefits spruced up by federally subsidized pharmaceuticals; and the multi-billion dollar "war on terror" will be droning on.

My guess is that, if presented with this scenario, the most common projection among political prognosticators of today would be that Miss Hillary will, at this point, burst onto the scene like a hippopotamus at a Serengeti mud hole, sweep the Democratic primaries in 2008, and win the White House back for the Clinton clan. I think they would be wrong. I think the circumstances I describe above will not be conducive to the kind of conventional liberalism that Mrs. Clinton sells, with its pastiche of *petit bourgeois* social concerns, big government utopianism, one-world internationalism, and aseptic moral homilies.

I think that it is much more likely that such times will witness the rise of an old-style, fire-breathing, charismatic, “man-of-the people” populist, who will heap scorn on what he will claim is the Republican federal/business axis with its hierarchy of elitist bureaucrats and wealthy establishment drones, its obsession with making the world safe for investment bankers, and its condescending attitude toward ordinary working class Americans. And just as importantly, this individual’s rhetoric will drip with contempt for his own party’s degenerate descent into the politics of political correctness, moral sophistry, and growing affinity for big business at the expense of the laboring class.

Now one could argue, I suppose, that the Democratic Party is no longer capable of producing a person with the kind of talent, brains and energy that it would take to deliver such a message effectively. But I don’t believe it. If anything, I think that there are more capable hucksters in both parties today than at any time in history, and like maggots in a dead cat one of them will sprout wings at the appointed time. And if he or she is good, the message should bring hordes of errant Democrats back to the fold along with a large number of disillusioned Republicans, leaving the old liberal Democratic establishment flatfooted on the sidelines, and the GOP holding the bag as the party of fiscal profligacy, foreign policy adventurism, and sweetheart deals between government and business.

Populism has a rich history in American politics on both the left and the right. Its origins can be traced to the Anti-Federalists, and then to Jeffersonian and Jacksonian democracy, through the rise of agrarian populism, into the twentieth century with the Progressive and Prohibition movements, and in more recent times to bids for the White House from men like George Wallace, Ross Perot and Pat Buchanan.

The populist message varies greatly depending on time, place and person. It can emanate from both the far left and the far right on the political spectrum. But all populists pick and choose from roughly the same menu of ideas, many of the most important of which were compiled and presented as follows in a marvelous book on the subject entitled *The Challenge of Populism* by Michael Federici, and published in 1991 by Praeger.

- ✍ Suspicion of elites, especially business figures, bankers, bureaucrats, intellectuals, plutocrats;
- ✍ Faith in the common sense and virtue of the ordinary people;
- ✍ Suspicion of metropolitan society;
- ✍ Preference for simplicity versus complexity;
- ✍ Idyllic assessment of agricultural life;
- ✍ Reverence for religion;
- ✍ Conspiracy theory;
- ✍ Staunch defense of small property holders versus corporations;
- ✍ Fear of trusts and monopolies;
- ✍ Anti-intellectualism;
- ✍ Sectarianism;
- ✍ Mistrust of science and technology;
- ✍ Majoritarian democracy.

History demonstrates that a combination of these themes, chosen and blended to suit the times, can make for a highly potent political message in the hands of a politician who has the right personality to deliver it with verve and rhythm. This is especially so during a period when citizens have heightened concerns about the future for themselves, their children and their country, and are troubled by rapid cultural changes, as well as real or perceived threats from offshore, both military and economic.

Some indications of the success that even a small dose of populism can produce can be seen in the unexpected strength of Howard Dean, who routinely flirts with several populist themes and images. His coat-off, shirt-sleeves-rolled-up look and his me-against-the-establishment pretense are right out of the populist primer, as was his recent “innocent” raising of the conspiracy theory that President Bush was told in advance about September 11 by the Saudis but chose to do nothing about it.

But Dean is no populist, and even if he could perfect the art in time for next year’s election, I don’t think either his party or the nation is yet ready to rally behind a modern day version of William Jennings Bryan or Huey Long. But before Dean leaves the scene next November, he will, I believe, have demonstrated to both Republicans and Democrats that a little populism can carry a politician a long way, and in doing so set the scene for what could be an exciting, competitive election in 2008.

In the long run, populism is a loser, if for no other reason than the fact that it challenges the establishment elite, which, as the populists themselves understand, always ends up in charge. But the emergence of a strong populist movement within a political party can bring a much needed burst of new energy and in the process cleanse it of a lot of old baggage that is left over from earlier times, thus paving the way to a solid rebound at a later date.

In the meantime, if you, gentle reader, are thinking of signing up for the role as the Democratic Party’s populist savior, check out some of Huey Long’s old speeches. You couldn’t find a better teacher. And they are great fun, if a bit sobering. What follows are some lines from a speech made on the floor of the Senate on February 5, 1934 outlining his program for restoring economic prosperity.

People of America: In every community get together at once and organize a share-our-wealth society--Motto: Every man a king

Principles and platform:

1. To limit poverty by providing that every deserving family shall share in the wealth of America for not less than one third of the average wealth, thereby to possess not less than \$5,000 free of debt.
2. To limit fortunes to such a few million dollars as will allow the balance of the American people to share in the wealth and profits of the land.
3. Old-age pensions of \$30 per month to persons over 60 years of age who do not earn as much as \$1,000 per year or who possess less than \$10,000 in cash or property,

thereby to remove from the field of labor in times of unemployment those who have contributed their share to the public service.

4. To limit the hours of work to such an extent as to prevent overproduction and to give the workers of America some share in the recreations, conveniences, and luxuries of life.

5. To balance agricultural production with what can be sold and consumed according to the laws of God, which have never failed.

6. To care for the veterans of our wars.

7. Taxation to run the Government to be supported, first, by reducing big fortunes from the top, thereby to improve the country and provide employment in public works whenever agricultural surplus is such as to render unnecessary, in whole or in part, any particular crop.

GEORGE WILL WIN IN SPITE OF HIMSELF. For a man who has spent the better part of the last three years trying desperately not to repeat the mistakes of his father, George W. Bush appears to be doing just that. Though for different reasons and in different ways, George W., like George H.W. before him, has bucked the Reagan-conservative model of governance; has wandered far from the promises he made in his initial run for the White House; has upset and disappointed vast swaths of his base; and has even prompted speculation about whether he has gone so far as to prompt said base to stay home next November, thereby handing the election to his challenger. And he's done all of this within just the past couple of weeks.

Indeed, Bush has had so much trouble with his fellow Republicans in the past month or so, that if I were a Democrat, I might be inclined to see this as "déjà vu all over again," and to believe that the son, like the father, is going to blow his re-election by alienating those whose votes he should be able to take for granted. Of course, if I did believe so, I'd be wrong, but I can see where the Democrats wouldn't get that. So let me explain.

Though there have been rumblings about the President's profligate spending throughout his three-year tenure, most notably immediately after the signing of the much-maligned farm bill roughly a-year-and-a-half ago, the grousing reached new heights late last month, when Congress prepared to pass and to send on to the President's desk both a bloated, corporate-welfare-laden energy bill and the so-called "largest expansion of entitlements since the Johnson administration," i.e., the new Medicare prescription drug benefit.

While the energy bill was mercifully iced by an unusual geographic-based, bipartisan collection of Senators who managed, just barely, to filibuster its passage, it will make yet another appearance (its third) next session. As for the Medicare bill, as you well know, gentle reader, it was passed with the President's blessing, and will be signed today, possibly adding as much as \$2 trillion to federal outlays over the next twenty years. And for a good many conservatives, most of whom had held their tongues and plugged their noses at the president's bloated budgets until now, the Medicare bill finally broke the proverbial damn, unleashing a torrent of criticism on a host of related issues, from spending to deficits, and from inflation to the dollar's freefall.

Reviewing the hostility, the *Washington Post's* Dan Milbank wrote the following this past Saturday:

The Wall Street Journal editorial page accuses Bush of a “Medicare fiasco” and a “Medicare giveaway.” Paul Weyrich, a coordinator of the conservative movement, sees “disappointment in a lot of quarters.” Bruce Bartlett, a conservative economist with the National Center for Policy Analysis, pronounces himself “apoplectic.” An article in the *American Spectator* calls Bush’s stewardship on spending “nonexistent,” while Steve Moore of the Club for Growth labels Bush a “champion big-spending president.”

“The president isn’t showing leadership,” laments Brian Riedl of the Heritage Foundation, who calculates that federal spending per household is at a 60-year high. “Conservatives are angry.”

Opinionjournal.com’s Brendan Miniter addressed the problem even more forthrightly in his column “The Western Front.” Miniter speculated:

Rampant spending will alienate more than budget hawks. The deficit isn’t really a problem yet, although the bigger it gets, the harder it is going to be to fight off future tax increases or even make Mr. Bush’s tax cuts permanent. Rather, it’s the bad public policy that comes along with out-of-control spending. Republicans are now bringing back the very subsidies they once promised to eliminate. Gone are the days when Republicans debated eliminating federal departments.

As it stands now, House Budget Chairman Jim Nussle can’t even manage much support in his caucus for rooting out waste, fraud and abuse. If the Christian conservatives follow the fiscal conservatives in stepping away from the party, Mr. Bush won’t be so invincible come November.

Add to all of this the written comments from, for example, our mutual friend Mr. Melcher over the past couple of weeks, and it is clear that President Bush is having some problems; those who should be his biggest supporters are grumbling and grumbling loudly. What is not clear, though, is whether Miniter or the nine Democratic presidential wannabes are correct that such grumbling may bode ill for the President’s re-election efforts.

In my opinion, the answer to such a question is still a flat, “No.” Bush is, indeed, ruffling the feathers of his base, much as his father George “Read My Lips” Bush did twelve years ago. But for a variety of reasons, one more important than all the others, this is not likely to dampen his re-election effort significantly. As I have written several times before, the similarities between George W. Bush and his father are merely superficial, and this “alienation of the base” angle does not change that assessment.

For starters, this is hardly the first time that concerns about George W. Bush’s base have been raised. Throughout the summer of 2002, Republicans grumbled (about the farm bill, about steel tariffs, etc.) and the media speculated that this would damage the GOP cause in the midterm elections. “Someone,” the *Wall Street Journal* editors wailed in June of that year, “might want to tell Karl Rove that a Senate victory will be pyrrhic if President Bush manages to alienate the

GOP base, voter turnout falls as a result and Republicans lose the House in the process.” Well, it didn’t happen.

You see, for the most part, the “alienation of the base” in 2002 was much as it is now, an “elite” phenomenon. Yes, some conservatives are unhappy with Bush, but those individuals are generally those of us in Washington (or Mt. Jackson, as the case may be). And while there is always the possibility that Bush will go too far and actually do something to alienate rank-and-file Republicans, that seems unlikely to me, at least before the election next year. Unlike his father, this George Bush cut taxes, twice, in fact. And rank-and-file Republicans will remember this more than anything else he has done or will do on the domestic policy front.

Second, and likely more important, nearly every conservative activist quoted above by *The Washington Post*, every member of the *Wall Street Journal* editorial board, Mark, I, virtually every Republican in the country (with a few notable exceptions), a majority of independents, and even a number of Democrats will vote for George W. Bush next November because on the single most important issue of our time, the war on terrorism, to vote for the opposition is simply unthinkable. Bush may be a spendthrift, neo-liberal goofball, but, in the end, he is prosecuting the war and the Democrats would not be. And in the short term at least, that’s enough.

For some time, now, I have believed (and have often written in these pages) that Democratic candidates are making a mistake when they focus on Bush’s foreign policy, and on the war in Iraq in particular. As we ourselves have noted more than once, Bush’s foreign policy and his Iraq policy are far from perfect; but they are, in the eyes of most Americans, far closer to being right than are those would-be policies elucidated by the would-be Democratic presidents.

Whether the Democratic hopefuls actually believe the garbage they say about Bush, or whether they say it simply because they know that *their* base is angry and wants to hear such accusations leveled, I can’t say. But it’s immaterial anyway. The bottom line is that a majority of Americans still believe that what the Democrats are doing and saying is grossly irresponsible.

Just look, for example, at the two purported Democratic frontrunners and what they had to say about Bush and the war on terror over the last week.

As Mark noted above, Howard Dean is now trafficking in wacky conspiracy theories about what Bush was or was not told about September 11 before it happened. Now, even if one can get past the wholesale irresponsibility of a candidate for President of the United States suggesting that the Saudi government actually knew about the attack before it happened, there’s also the little matter of suggesting that the President himself was complicit in 3000+ murders. Talk about reckless. As *Opinionjournal*’s James Taranto noted last week, if a Republican had, in 1996, suggested that the Clinton’s were complicit in Vince Foster’s murder, he would have been “pilloried” by the media as an irresponsible lunatic. The same standard should, I believe, be applied here. (Note from Mark: I still believe Bill and Hill were complicit in Vince Foster’s murder.)

Of course, Dean is not the only one making himself look ridiculous. In fact, if I had to choose (and I’m awfully glad I don’t), I think I’d take conspiracy-loony Dean over John Kerry, who made a few waves of his own last week by dropping the “f-bomb” in his discussion of the Bush Iraq policy in an interview with *Rolling Stone* magazine. “I voted for what I thought was best for

the country,” Kerry said in defense of his vote to authorize Bush to go to war with Saddam. “Did I expect Howard Dean to go off to the left and say, ‘I’m against everything’? Sure. Did I expect George Bush to f--- it up as badly as he did? I don’t think anybody did.” Again, talk about irresponsible. As Stephen Hess, a presidential scholar at the left-leaning Brookings Institution said, “It’s so unnecessary. In a way it’s a kind of pandering [by Kerry] to a group he sees as hip.”

Which is worse, one has to wonder, a borderline nutcase who accuses the President of murder or foul-mouthed goon trying to impress the cool kids? If it were up to me (and again, I’m awfully glad it’s not), I’d choose “none of the above.” And so, by the way, will most Americans.

George W. Bush may have some problems, and there is no question that he is far from the ideal Republican president. But on the issue that matters most to most Americans he is far closer to right than are any of his would-be opponents.

A SOLICITATION. As regular readers know, I (Mark) live on a farm in a small rural community called Mt. Jackson, Virginia, population 1,583. Almost three years ago, a friend of mine who lives nearby, Wesley Polk, lost his hand and forearm in an accident with a wood splitter. Insurance took care of most of the medical bills but would pay for only the most rudimentary prosthesis, i.e., one that features what I would describe as a large, metal, pinching device in place of a hand and held on by a large, unwieldy harness.

Wes who is about 30 years old, drives a dump truck now for a living and while he makes enough money to take care of his family, there is not much of a chance that he will ever be able to save the \$32,743 that a decent prosthesis would cost. So, a friend and I decided that together we could find 328 people who would pay \$100 each to provide Wes with a state-of-art forearm and hand. In a large, suburban area this would not seem like much of a task. Here in Mount Jackson, it is a bit of a challenge. But we’re plugging along with the donation campaign, and making plans to pick up \$1000 or so from a pig roast this spring and a post-Christmas dance at the local Moose Lodge.

Anyway, on the chance that you would like to make a \$100 non-tax-deductible donation to a good cause, send cash or check (made out to the Wesley Polk Fund) to me, Mark Melcher, 8563 Senedo Road, Mt. Jackson, Virginia 22842. Wes and his family would appreciate it, and so would I. (I am aware that clients don’t pay Steve and me to be asked for donations to a personal cause. If I have offended anyone by this note, please accept my apology. Mark)

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