

# The Political Forum

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

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Monday, January 12, 2004

## THEY SAID IT

“It is hard to like Howard Dean. He seems as big a trimmer as Bill Clinton, and as bold and talented in that area as Mr. Clinton. He says America is no safer for the capture of Saddam Hussein, and then he says he didn't say it. He floats a rumor that the Saudis tipped off President Bush before 9/11, and then he says he never believed it. When he is caught and has to elaborate, explain or disavow, he dissembles with Clintonian bravado. This is not a good sign.

“He is not a happy warrior but an angry one. In the past I have thought of him as an angry little teapot, but that is perhaps too merry an image. His eyes are cold marbles, in repose his face falls into lines of mere calculation, and he holds himself with a kind of no-neck pugnacity that is fine in a wrestling coach or a tax lawyer but not in a president. We like our presidents sunny, easygoing and optimistic. They have access to the nuclear launch code, and we don't want them losing their tempers easily. Mr. Dean's supporters no doubt see him as optimistic, but optimists aren't angry.”

-- Peggy Noonan, “The Dean Disappointment,” January 8, 2004

## DOMESTIC POLITICS 2004: PREDICTING THE OBVIOUS, NOT AS EASY AS IT LOOKS.

At the outset of his piece last week, Mark noted that “it is easy to predict upcoming events, but difficult to do so with great accuracy.” There is no question that he is right about that. And in many ways, I believe that the job I have today is even more difficult than that which Mark undertook last week. You see, Mark's geopolitical predictions are, by their very nature, somewhat imprecise and cannot, for the most part, be judged for accuracy until year's end. I am not afforded either luxury. My skills as an oracle will be open to critique long before Mark's are.

Domestic political forecasts, by their nature, need be precise, foretelling specific and, in some cases, quantifiable outcomes. Moreover, they can, and undoubtedly will be proved or disproved far sooner than next December. Indeed, my first prediction will be at least partially validated (or invalidated as the case may be) as early as a week from today, when the Iowa Caucuses are held.

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Not that I'm complaining. In other ways, my job is far easier than Mark's was. Recall that last week Mark cautioned that his first prediction, in which he asserted that "there will be no terrorist incident on American soil in 2004 that is horrendous enough to alter radically the domestic and geopolitical landscape in the way that the attacks of September 11, 2001 did," formed the foundation for his entire piece (and for much of mine as well), in that "all of our predictions . . . are predicated on this one being accurate." That's a lot to have riding on one projection. Fortunately, I do not have that problem. While my first forecast is an important component of many of those that follow, it is not indispensable. If I am wrong about #1, my other predictions will remain largely unchanged, or perhaps modified only in degree. So, as Mark put it last week, "with that said, here goes."

### **Prediction #1: Howard Dean will be the Democratic nominee for President.**

On the surface, this seems like something of a no-brainer. After all, Dean has been the front-runner for several months and has several distinct advantages over all of his would-be rivals, including the high-profile endorsements of both of the last Democratic primary's combatants, Al Gore and Bill Bradley. Indeed, if I had written this piece two or three weeks ago, I expect that the reaction to this prediction would rightly have been, "Well, duh."

But things have changed considerably over the past few days, and Dean's lock on the nomination no longer is as obvious as it once appeared. It seems that various constituencies within the Democratic Party and various other constituencies with Democratic leanings, namely the mainstream media and (for lack of a better term) "Hollywood," have recently come to the conclusion that the angry little man from Vermont by way of Park Avenue and the Hamptons is not quite the political savior his supporters would have them believe.

Thus, within the past week or so, Dean has seen his overwhelming lead in national polls begin to dwindle; he has seen his similarly overwhelming lead in New Hampshire begin to shrink as well, though not as dramatically as in national polls; and he has been the subject of several less-than-flattering and high-profile media pieces, with such left-leaning media luminaries as the editorial board of *The Washington Post*, *The New York Times* magazine, *Newsweek*, and *Time* all taking shots at him. If momentum matters at all in primary elections, then Dean and his handlers should be very concerned right now.

In addition, the good doctor is finding that he is every bit as marked a man as George Bush, maybe more so, as he goes out each day to face eight candidates from his own party who are desperate to discredit him. One day its charges of fraud emanating from the Gephardt and Kerry campaigns, and the next it's the "discovery" of long lost copies of the PBS show "The Editors" on which Dean calls George W. Bush a (gasp!) "moderate" and suggests that a Hamas takeover of the Palestinian territories would be both "good and bad."

All of that said, I still think, momentum issues and newfound misgivings notwithstanding, there are many reasons to believe that Dean is still the likely nominee. For starters, primaries are, in general, the purview of party activists. And Dean is the overwhelming choice of the left wing activist community, the imagination and anger of which he has captured perfectly.

Moreover, the former Vermont governor has, relative to his Democratic rivals, gobs and gobs of money. Dean broke all Democratic Party primary fundraising records last year, tallying better than \$40 million, nearly three-quarters of which came in during the second half of the year, after he had emerged as the frontrunner. In the final quarter of 2003, Dean raised roughly \$15 million, 50% better than his nearest competitor, retired General Wesley Clark, who took in about \$10 million. None of the other candidates raised even a third of Dean's total, and one-time frontrunner and current flop extraordinaire John Kerry contributed better than \$6 million of his own money and still trailed Clark in the fourth quarter. And while money is not everything in a political campaign, it is extremely important, both as an indicator of underlying support and as a means by which to get one's message across and to attract voters.

Finally, and perhaps most importantly, Dean is not exactly up against the *crème de la crème* of political savants here. As I've noted several times, the Democratic field is comprised of some of the most pathetic presidential wannabes in recent memory. Or to put it another way, they are, as President Bush's mother noted last fall, "a pretty sorry lot." And while I believe that Dean too falls into that category, at this point in the process that is not really an issue, since he doesn't have to be a great politician right now, just better than the others, which is not asking a whole lot.

Conventional wisdom has it that three of the nine hopefuls, Al Sharpton, Carol Mosely Braun, and Rep. Dennis Kucinich are not serious candidates. And while I agree that these three are surely losers, I think conventional wisdom is unduly kind to three others, Senators John Edwards, John Kerry, and Joseph Lieberman, all of whom also have, in my opinion, roughly the same chance of winning the Democratic nomination as do Mark or I.

John "The Breck Girl" Edwards is, put simply, too inexperienced, being in his first and last Senate term; too shallow, which explains the "Breck Girl" moniker; and too well connected to the much-reviled plaintiffs' bar to be able to mount a serious challenge. Joe Lieberman, as I have noted often, is too rational, too hawkish, and, let's face it, too Jewish to be the nominee of a party that is currently indulging its loony, anti-war, and anti-Semitic factions, which, not surprisingly, are essentially one and the same.

And as for John Kerry, I think he can be described, without exaggeration, as the biggest presidential flop in recent memory. This guy has the biography, bearing, and money to be a serious challenger for the nation's highest office. Unfortunately for him, voters quickly came to learn that biography, bearing, and money are all he has. Indeed, if things continue along current trend lines, Kerry will finish no better than third in New Hampshire, which borders his home state of Massachusetts and which was supposed to be his to lose. A bigger embarrassment one would be hard pressed to dream up. In fact, I think it would be difficult to find a modern candidate from whom more was expected, but who delivered less.

That leaves Dean, Clark, and Congressman and former House Minority Leader Dick Gephardt. Gephardt's do-or-die moment will take place one week from today, when Iowa holds its "First in the Nation" caucuses. If Gephardt loses to Dean in this his neighboring state, he's finished. And even if he wins, there is no guarantee that anyone will care, as it is possible that the victory will be chalked up to the mid-western connection.

For a long time, both Mark and I, among others, thought it possible, if not likely, that Gephardt would emerge as the “anti-Dean.” He’s the consummate party insider, having culled connections and allies in various state party machines for decades. He’s calm, generally rational, and personally warm and friendly. He is, without question, the favored candidate of most union bosses, whose endorsement carries significant weight, particularly in Iowa.

But he is also astoundingly bland and colorless on the stump, both in style and in complexion. He and Tom Daschle are still blamed by many party stalwarts for leading Congressional Democrats into the 2002 mid-term slaughter. And the resentment harbored by many party elites over that debacle may well be enough to overwhelm the good will that Gephardt had built over the preceding twenty-five years of service. And while there is still a very real possibility that the former Minority Leader could sneak up on the frontrunner, to bet on such an event at this point would be foolish. In any case, we’ll know more next week.

As for Clark, he has several significant obstacles to overcome if he is going to beat Dean. First, in a year in which the greater “war on terror” will be one of the key issues in virtually all national-level campaigns, Clark is a walking contradiction. On the one hand, he has, in the four months since he announced his candidacy, been aggressively anti-Bush, criticizing the President, his advisors, their tactics, and their motives, perhaps more so than even Dean. And he has done so to endear himself to those who believe that the war in Iraq was a mistake and that the war on terror is being handled poorly.

On the other hand, Clark is a retired general, and as such he is viewed by many of the activist elements that are driving this process with considerable skepticism. Since Vietnam, the anti-war left has been not just anti-war, but anti-military as well. And while Clark’s military record is immensely appealing and comforting to some of the older, more traditional Democratic voters, it is equally appalling to some of the anti-Vietnam holdovers and their young imitators.

It is no exaggeration to say that many on the loony/activist left, who may well decide the primary contests, view Clark as “war criminal,” both for his role in the Balkans and for his military service in general. It is hard to see how the former Supreme Allied Commander in Europe and vanquisher of Milosevic could be the choice of the anti-warriors driving the party’s left wing.

Additionally, Clark is, as Mark detailed extensively in the September 22, 2003 issue of this newsletter, a political neophyte who, like novices before him, will find it rough going in his attempt to learn the ropes of politics. Though Howard Dean has painted himself as the anti-establishment candidate, he is, nevertheless, an experienced politician. But Clark is not; and like other non-politicians before him (e.g. Steve Forbes and Ross Perot), Clark has learned and will continue to learn that playing the political game well is nowhere near as easy as it looks.

The Clinton folks who have glommed onto the general have done a remarkable job in bringing him up to speed over the last four months, but he is still a political tenderfoot. He is better on the stump than we suspected he would be, but whether he is good enough to wrestle the nomination from a calculating hustler like Dean remains in doubt.

Finally, there is the matter of Clark's personality. While he has gone to great lengths to make himself more approachable and affable, even going so far as ditching his standard blue suit for a homier argyle sweater, there is still something unnerving about the man.

He is the consummate overachiever: top of his class (at all levels), Rhodes Scholar, Four-Star General, etc., and he deserves admiration for his achievements. Nevertheless, many who know him well, including a good number of those who served with him, have found his aggressive ambition to be more than a bit off-putting.

In his bestseller *War In a Time of Peace*, liberal journalist David Halberstam repeatedly notes that those with whom and under whom Clark served "worried whether he was not merely too ambitious, but too self-absorbed," and thought that he was "too driven, too abrasive, too hard on people." Halberstam wrote as well that Clark "created resentment" and was described by a colleague as "the kind of guy in college who took a three-hour exam, was the first to leave the room (by about an hour), and then let you know how easy it was."

And while such determination and drive should hardly be seen as critical personality flaws, they have a tendency to turn off voters. If Clark created resentment among his fellow military officers, there is no reason to believe that he will not do the same with the public, coaching from the very talented Clinton crew notwithstanding.

All things considered, then, while Howard Dean does not, by any means, have the Democratic nomination sewn up, it is still his to lose. Dean could, at any minute, open his mouth and totally blow up his campaign, so the nomination of another candidate would not be a complete shock. Nonetheless, if I have to pick at this time (and I do), I pick Howard Dean.

**Prediction #2: George W. Bush will win re-election and will win handily.**

Again, this seems obvious. And in all honesty, it is. Yes, Bush could screw things up, or something unforeseen could happen. But as things stand today, Bush will win and will win in a walk, despite protestations to the contrary from both Republican and Democratic strategists.

The very sharp and talented Michael Barone, editor of the *Almanac of Politics*, suggested recently that the nation was divided roughly 49%-49% in 2000, but is now divided 53%-47% (GOP to Dems.). Many strategists and analysts have interpreted this to mean that the country is still fairly evenly split. I think it means that Bush will become the first President since his father sixteen years ago to be elected with an absolute majority of the popular vote. Here's why.

First, most Americans think Bush is doing a good job. The war in Iraq is going better than it had been, and the administration appears to have received the message that it needs to emphasize the national security aspects of the mission there rather than the humanitarian achievements. Saddam has been captured and will be tried, in Iraq by Iraqi and coalition judges, and his trial will serve as a visual reminder of the progress that the United States is making.

The greater war on terror is also progressing reasonably well. And while Bush may not be able or willing to imitate Wesley Clark by making ridiculously foolish and cocksure promises that he

personally can protect all Americans from terrorists, most Americans would generally credit him with prosecuting the war sensibly. The “national security” issue is unquestionably still his.

As far as the economy goes, you know the story. Growth is blistering; markets are up; inflation remains in check; and interest rates have not increased appreciably. Jobs growth has yet to be as spectacular as most people would wish, but as Horace put it, “*nihil est omnino beatum.*”

Bush is, to a certain extent, vulnerable to the charge, from both the right and left, that he is playing a dangerous game with spending and deficits. But voters tend to care little about deficits, unless and until they can be directly blamed for something specific. Moreover, in an attempt to pacify angry conservatives, Bush’s FY ’05 budget will reportedly be more frugal, and deficit projections are already starting to fall as tax-cut-inspired economic growth has begun to work its magic on wealth creation and tax receipts. Neither Mark nor I are exactly thrilled with Bush’s spendthrift habits, and we have many times excoriated the President for failing to grasp the necessity of spending restraint. And while many of you, gentle readers, share our concerns, you can rest assured that most voters do not.

In a recent Gallup poll, the President’s favorability rating was 65 % (with a net favorability score of +30 points), and his job approval was at 60%, hardly the numbers of a man who is struggling to stay afloat. Another recent Gallup poll showed that the American public is generally a pretty happy and contented lot, with 19 out of 20 respondents telling pollsters that they are either very happy (55%) or fairly happy (40%). Specifically, Gallup noted:

Americans’ subjective sense of well being is as high today as at any time in the history of these Gallup trends. The 55% saying they are very happy today is slightly improved over the 49% recorded a year ago, and is the highest level seen across the 13 readings taken since 1956 (though the 1956-1957 readings are statistically similar to the current reading.)

And while there is no direct correlation between happiness and politics, a happy public is unlikely to want very badly to upset the proverbial apple cart by electing a hot head who promises a combination of rage and change.

And that brings us to the second major reason why Bush can be expected to win, namely that the Democrats have big, big problems, whomever they nominate. Even if Bush were not doing a particularly good job, it would be hard to imagine the fractured and schizophrenic Democratic Party being able to mount a terribly effective challenge.

If the party does indeed nominate Dean, then the Vermont governor will have to make a choice. He can continue along on his current tack, projecting the image of an angry little man who thinks that the capture of Saddam did not make the nation safer, that Osama (but not George Bush) deserves the presumption of innocence, and that taxes are far too low. Should he choose such a course, he would alienate a good chunk of independent voters and even some of his fellow Democrats, including erstwhile stalwart Democratic constituencies like Jews and Catholic.

On the other hand, Dean can still pull the standard primary-general election shift, calm himself down, and move back to the political center. Indeed, he is already showing some signs that on

some issues, namely tax policy, he is willing to do so. Of course, in such a case, he'd alienate his base and force them to look elsewhere for a candidate who shares their unique view of the world. Either way, it'll be tough for him to mount a credible campaign.

If the party nominates anyone but Dean, Dean's loyalists will likely abandon it, choosing either to opt out of the process or to opt out of the two party system. Some will throw support to the likes of Ralph Nader, while others will encourage their own angry little hero to bolt his party and lead them off a cliff. Either way, it will be tough for the nominee to mount a credible campaign.

The angry left, which is driving this process, is well organized, well financed, enthusiastic, and determined. It is also only about 20% of the population, at most. That's enough to make quite a stink, but hardly enough to win a presidential election.

**Prediction #3: Republicans will maintain control of the House, picking up a handful of seats.**

It is hard to say with any certainty how many seats the GOP will gain, but I would guess that it will be in the neighborhood of five to ten. The manifold advantages of incumbency, Republicans' reasonably decent job of candidate recruiting, GOP control of the redistricting process in many high-profile and high-population states (e.g. Texas), and mild Presidential coattails will all work to ensure an ongoing Republican majority. Speaker of the House Dennis Hastert will likely never enjoy the overwhelming majorities that his Democratic predecessors enjoyed in the 1970s and '80s, but he will still be Speaker, and in the House, that's enough.

**Prediction #4: Republicans will maintain control of the Senate and will increase their majority by a net of 3 to 5 seats, leaving them firmly in control but well short of the 60 votes necessary for a filibuster-proof super-majority.**

As recently as this fall, I had serious questions about the GOP's ability to hold the Senate. The Party's lead is nearly as slim as possible already (51-48-1), and most high quality, big-name potential Republican candidates were telling the party honchos to take their Senate nominations, stick 'em in their briefcases, and go back to Washington. GOP Senate leaders had long argued that '04 would be a good year, owing to the fact that Democrats have more seats to defend and that many of these are on so-called "Bush turf" (i.e. "Red states"). But if it is true that the GOP won the 2002 midterm during the fall of 2001, when it won the candidate recruiting war, then the party was, in my estimation, very near to losing the 2004 battle for the Senate last fall, when its '04 recruiting was, in a word, dreadful. No one, it seemed, wanted to run.

But then something remarkable happened. The Democrats gave up. Well, not all of them. But five of the nineteen whose seats are up next fall gave up. Zell Miller (GA), Bob Graham (FL), John Breaux (LA), Ernest "Fritz" Hollings, and John "Breck Girl" Edwards all called it quits, deciding not to run for re-election.

This changed the GOP's potential fortunes dramatically. All five seats now appear to be possible, if not likely Republican pickups. Had the incumbents all run, three of the five (Breaux, Hollings, and Graham) would have been Democratic locks, and the other two would have proved very difficult to wrest from Democratic control. But with the incumbents out, and given the

political affinities of Southern voters, there is every reason to believe that when all is said and done next November, all five will belong to the GOP.

Republicans themselves have two open seats to defend, one in Illinois (Peter Fitzgerald) that they would likely have lost whether or not the incumbent were running, and one in Oklahoma (Don Nickles) that can now probably be best termed a toss-up. But even if Republicans lose both, it is still likely that the battle for open seats alone will tilt their way, by a net of two or three.

**Sub-prediction #4.1: The Senate Minority Leader will be one of the handful of incumbents defeated.**

Now my confidence level here is not great, but by the looks of things, Senate Minority Leader Tom Daschle is in for real fight, and may well lose his race.

Since long before the 2002 midterm, Republicans have had their eye on Daschle's seat, and many insiders, both Republican and Democrat, doubted whether the Minority Leader would even seek another term this year. But while Daschle nixed the idea of retirement, there are still reasons for Republicans to believe that they can knock off the top-ranking Senate Democrat.

For starters, South Dakota is an overwhelmingly Republican state that voted overwhelmingly for Bush in '00 and will likely vote overwhelmingly for him again this November. And while many South Dakotans may well choose to split their ballots, it is not unreasonable to expect that at least a few who might otherwise have voted for Daschle will instead vote against him and against his obstruction of the presidential agenda for which they are voting.

Additionally, as of last week, Daschle has a top-flight opponent. Former Congressman and narrow loser to Senator Tim Johnson in 2002, John Thune, heeded the call of his party and his president and announced his candidacy. Thune is young, energetic, and charismatic, and would prove a formidable challenge for Daschle, presidential coattails or not.

Finally, Daschle just doesn't seem up to the challenge. Ever since the 2002 midterm debacle, for which he received much of the blame, Daschle hasn't been quite the politician he once was. He opted out of a run at the presidency and does not appear to have much energy left in him for a good fight. Though he is often blamed by Republicans and their sympathizers for the successful but controversial judicial filibuster strategy, that is, in truth, more Chuck Schumer's gig. Add in the not-so-subtle insinuations about his airline-lobbyist wife's influence on relevant legislation and the clever television ads run in the Senator's home state by our friend Steve Moore's "Club for Growth" ridiculing the junior prairie populist's new million-plus dollar home in Georgetown, and I think it would come as no surprise if Daschle finds himself out of work next year.

**Prediction #5: The "Culture War" will burn white hot once again.**

I won't spend too much ink on this topic today, because it is one that can and probably should be covered in a series of later articles, when I have the space and time to do it justice. It should suffice to say, though, that the culture war will burn as hot next year as it ever has, perhaps even hotter. In addition to the standby cultural battleground of abortion, other issues, namely war and

peace, gay marriage, and post-Christian morality will all prove fertile fields on which this longstanding war will be waged.

Last week, Howard Dean enmeshed himself in this conflict on several fronts when he declared that it was his interpretation of Christian morality that compelled him to sign his state's infamous civil unions bill. If Dean is indeed the Democrats' nominee, then traditional Judeo-Christian morality, with its emphasis on the universality of right and wrong and good and evil, and post-Christian, Marxist (or Marxist-Gramsciite, more accurately) morality, with its emphasis on compassion and the redemption of the oppressed, will clash indefatigably and violently throughout the year.

But the resurgence of the culture war is not necessarily dependent on Dean. Wesley Clark's recently expressed support for a woman's right to freedom from government intrusion into her pregnancy up until the very moment of birth; the left's very justification for its opposition to the war; and the forces producing the migration of traditionally Democratic constituencies (namely Catholic and Jewish voters) to the Republican camp are all part and parcel of the resurgence and, indeed, the intensification of the culture war.

In short, this conflict will burn hot, and will, in my opinion, effect significant and long-lasting change on the American political scene. Which brings us to . . .

**Prediction #6: By year's end, the GOP will have solidified its position as the nation's majority party, not simply because of its electoral victories, but because of the Democratic Party's continued self-destruction.**

This, like #5 above will undoubtedly be the subject of at least one future piece. For now, though it is important simply to note that the liberals who are driving the Democratic party are still unaware that their beliefs are at odds with those of the vast majority of Americans.

On nearly all of the cultural issues of any import (abortion, the war on terror, gay marriage, etc.) most Americans, *including most Democrats*, are of a mind that is far less radical and less dogmatic than that of the Democratic Party's leaders. And the harder and more aggressively those issues are pushed, the more likely erstwhile Democrats are to leave their party.

And Democratic voters will not be the only ones to leave. Republican congressional gains will not, I expect, be limited to November 2. Already one Democrat, Congressman Ralph Hall (TX) has made the jump to the GOP (the 174<sup>th</sup> elected Texas Democrat to make that jump since 1992), and I suspect that he will not be the last. The party that once lost Ronald Reagan is in the process of losing a good many other elected officials and some of them will make that divorce official. If I am right about this and any or all of the predictions above, then I can encapsulate this entire piece in a brief one-line forecast: **2004 will be a very, very bad year for Democrats.**

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THE POLITICAL FORUM

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