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THEY SAID IT

“The point here is that capitalism, as we know it today, was formed in Western society, within the framework of the Judeo-Christian ethic. This framework helped keep its natural predatory aspects from deteriorating into a totalitarian nightmare, while the system of laws [facilitating capitalist enterprise] . . . slowly came into being. And, like it or not, it is the combination of these two today, law and a time honored body of moral and ethical beliefs, that keeps capitalism functioning smoothly in Western societies. One without the other would be disastrous.

“Adam Smith, who first identified and explained the principles of capitalism, was acutely aware of this. Indeed, both of his major volumes on the subject, *The Theory of Moral Sentiments* and *The Wealth of Nations*, are filled with admonitions that corruption among businessmen was the greatest threat to the social and economic benefits of free markets, and that a combination of law and a moral society were necessary to protect against this threat . . . ”

--Mark L. Melcher, Stephen R. Soukup, “Some Thoughts on Capitalism as the Asian Meltdown Proceeds.” January 14, 1998.

SOME THOUGHTS ON CORRUPTION, THE FORGOTTEN THREAT.

Mark and I spent much of the last decade writing about terrorism and corruption, which, we argued then and continue to believe now, are twin threats to the long-term stability of the markets, the nation, and indeed the “global community.”

During the ‘90s, corruption was an easy target for critics like us. Law enforcement officials were only starting to grasp the magnitude of the global drug trade and its potential financial impact on erstwhile legal enterprises. International institutions like the IMF were contributing heavily to global moral hazard, doling out no-consequence bailouts of high-risk investments. And the President of the United States presided over an administration crippled by sleaze and plagued with scandals that reached directly into the Oval Office as well as the private residence.

Over the last few years, though, corruption has, understandably, been seen as much less of a threat than terrorism and has therefore been almost entirely absent from public and political discourse. There have been occasional outbreaks of hand-wringing over corporate scandals, but by and large those doing the wringing cared about corporate misdeeds only in that they believed they held the promise of partisan gain, and when they proved not to, the issues mostly disappeared.

But given what we know about the old story of a man, a woman, a snake, and a garden, this lull in corruption-related global events will at some point resurface as a high profile challenge to the nation, perhaps as enormous a challenge as that currently presented by global terrorism.

Indeed, as I write this, two tales of corruption, both of significant proportion, are unfolding, and are thereby threatening to destabilize further an already unsettled world. In Ukraine, a corrupt election has not only brought hundreds of thousands of protestors into the street, but has also brought the Bush administration into direct conflict with Russia's Putin administration, the power behind the crooked balloting. Regardless of the final disposition of the election, there can be little doubt that the relationship between the American president and one of his powerful allies has been altered, at least temporarily, because of the latter's propensity for corruption.

At the United Nations, the corruption is less immediately pressing, but is nonetheless staggering in its magnitude and holds the potential to be both far-reaching and devastating over time. As I noted in last week's piece, the Oil-for-Food scandal at Turtle Bay presents a significant immediate threat to the credibility of Secretary-General Kofi Annan and a similarly significant long-term threat to the credibility of the world body itself.

Over the weekend, future-Pulitzer-Prize recipient Claudia Rosett revealed that Annan's son Kojo, a one-time employee of Cotecna Inspection Services, a company that "held a lucrative contract with the U.N.

to monitor goods arriving in Saddam Hussein's Iraq under the oil-for-food program," received monthly payment from Cotecna through February 2004, five years longer than had been previously revealed and nearly six years after he'd left the company's employ. One can be fairly confident in the expectation that because of corruption, both personal and institutional, the United Nations will soon be seeking a new leader, and a large and important faction of the United States political leadership is likely to be openly advocating a significant reduction of support for the organization.

But while these two incidences of corruption are certainly spectacular and therefore likely to occupy any mainstream media discussion of the topic, I am actually more concerned about corruption of a much more mundane variety; the everyday, petty dishonesty and fuzzing of ethical lines that seems to have become commonplace among certain factions within the Congressional Republican caucus. I'm concerned about the type of institutionalized corruption that would compel the House Republicans to repeal, as they did two weeks ago, their own rule prohibiting any member under criminal indictment from serving as an elected caucus leader or committee chairman.

Now, I'll concede that the actual events that compelled the repeal of the indictment rule, which was passed in 1993 when Republicans were in the minority and the Democrats were looting the nation's capital, are hardly clear cut or indicative of massive, systemic sleaze. In fact, the particulars that prompted the GOP caucus to act are actually fairly tame and, more to the point, politically tinged.

In fact, the charges leveled against Republicans, most notably House Majority Leader Tom DeLay, are fraught with partisan political undercurrents. DeLay stands accused of a handful of fundraising violations, and three of his close political allies in Texas have already been indicted by a grand jury. But the man handing out the indictments, Travis County (Texas) prosecutor Ronnie Earle, is a Democrat with a history of using his office to pursue partisan ends but who has nevertheless been unable to convince the grand jury to indict DeLay.

Moreover, the charges against DeLay hardly distinguish him from some of his Democratic colleagues, particularly House Minority Leader Nancy Pelosi, who has had her own trouble with campaign finance laws. As DeLay himself pointed out in his own defense, the only Congressional campaign that has actually been found in violation of campaign laws this year is that of Pelosi, who was fined \$21,000 by the FEC despite the fact that she offered the compelling and well-thought-out defense that election officials told her what she did was OK, but then “took it back.”

But none of this means that the House Republicans aren't, at a very minimum, playing a dangerous game. Though DeLay may, for the time being, be out of legal jeopardy, that does not mean that he's completely in the clear or has behaved entirely respectably. Last month, the House Standards of Official Conduct Committee admonished the Majority Leader on two counts, one for the fundraising incident and one for improperly using his office in an attempt to compel the aid of the Federal Aviation Administration during the heat of the Texas redistricting battle. And speaking of the Texas redistricting battle, that was hardly DeLay's or the GOP's finest hour, demonstrating as it did DeLay's willingness to employ raw power to achieve his goals, regardless of the consequences, the bridges burned, or the unseemliness of the whole business.

The problem is that it's not as if DeLay's current troubles represent an isolated incident. Last week, columnist David Brooks suggested that DeLay is a “scandal waiting to happen,” and noted that “House Republicans know that DeLay has been playing close to the ethical edge for years.” Moreover, DeLay is hardly alone in “playing close to the ethical edge.”

Last February, in a piece titled “Republican Rot,” *The Wall Street Journal's* John Fund noted the increasing ethical laxity among some Congressional Republicans, writing, “One way you can tell that Republicans have become the dominant political party in Washington is to watch them cash in.”

The primary focus of Fund's story was then-Congressman (and Commerce and Energy Committee Chairman) Billy Tauzin, who was, at the time, expected to leave Congress to take an extremely lucrative job (reportedly \$2.5 million per year) as the chief lobbyist for PHARMA (Pharmaceutical Research and Manufacturers of America), a trade association whose members stand to gain tremendously from the Medicare reform bill for which Tauzin was, in large part, responsible.

Because of the efforts of folks like Fund, Tauzin eventually decided that taking the job at PHARMA was too unseemly even for him, but as Fund noted, Tauzin was not the only one to suffer symptoms of “ideological dry rot” with regard to the Medicare bill. To wit:

Last week, the House Ethics Committee revealed that for the past two months it has been investigating an allegation by Rep. Nick Smith, a Michigan Republican, that party leaders offered him a bribe in exchange for his vote on the Medicare bill. Mr. Smith voted against the bill and later said unnamed members of his party had said they'd contribute \$100,000 to his son's congressional campaign if he had voted in favor. If not, Mr. Smith said, they told him they'd see that the younger Mr. Smith lost his race. Mr. Smith later recanted, saying his claim of bribery was “technically inaccurate” and has since refused to discuss the matter further.

But other GOP members stood by their stories of strong-arm tactics. South Carolina's Rep. Jim DeMint said contributors threatened to withhold donations for his upcoming Senate race unless he voted for the Medicare bill, while Rep. Todd Akin of Missouri said a state legislator threatened to run against him. Rep. Tom Feeney of Florida was told his path towards a party leadership position would be blocked if he voted against the bill.

Now, if all of this seems to you somewhat shady but certainly not “corrupt” by Democratic standards; rather tame in comparison to the exploits of, say, Dan Rostenkowski, Jim Wright, and the rest of the pre-Gingrich Congressional majority, you’re right. There’s no question that DeLay, Tauzin, and the rest look like choir boys next to the collection of crooks who ran the House for the Democrats in the early ‘90s or even next to many of the folks who ran the White House at around the same time. But that is, quite frankly, beside the point.

For a variety of reasons, Republican politicians are held to a higher standard of public behavior. Some of this, of course, is unfair. Republican politicians, like their Democratic counterparts, are merely human and occasionally make mistakes. But those mistakes are amplified exponentially by a media culture that thrives on stories of hypocrisy and duplicity and enjoys “taking down a peg” the alleged moral scolds in the Republican Party. Even the smallest transgression by a Republican is therefore treated as far graver a matter than a similar or even greater indiscretion by a Democrat.

But part – indeed, the greatest part – of this double-standard is perfectly appropriate. A party that lays claim to the “moral values” issue, which played such an important role in this past election, must be willing to hold itself and its officers more strictly accountable to a higher standard. One of the beliefs that most distinguishes “conservative” morality from liberal morality, and which continues to attract that plurality of voters that cares deeply about “moral values,” is the conservation of the importance of means in moral behavior.

So while Bill Clinton can tell the world that it is not important how he won an election, since what really matters is “who he fights for,” Tom DeLay cannot be afforded that luxury. Whereas the liberal morality is strictly an outcome-based calculation, the conservative morality also values the process by which the outcome is achieved, and therefore personal behavior matters.

In addition, as the champions of free markets and individual freedom, Republicans must be willing to set an example, if for no other reason than to reassure the electorate that society can function and, indeed functions best in the absence of oppressive government intrusion into the domain of personal behavior. As Mark noted a couple of weeks ago, in his post-election analysis of the “moral values” component of the campaign, capitalism, free markets, and individual freedom are highly dependent on individual responsibility. Without the latter, none of the others can exist. Or as Mark put it:

Adam Smith . . . first noted the important relationship between capitalism and religion when he argued that commercial society cannot thrive in a climate of moral decay; or to put it another way, that successful capitalism requires more than an effective legal system, but also must operate within a moral framework for, as Machiavelli put it years earlier, “the fear of the Prince” can only “temporarily supply the want of religion.”

If Republican legislators themselves are incapable of behaving in conformity with standards necessary to keep the political and social systems functioning effectively and efficiently, then they can hardly expect the public at large to trust that their fellow citizens will do so.

In his February piece, John Fund wrote, “No matter how well gerrymandered their districts, the GOP majority could be in jeopardy if it develops the same reputation for ruthlessness and selfishness that burdened the Democrats in the early 1990s.” In his piece last week, David Brooks wrote, “if the Republicans become just another self-dealing power clique, there will be hell to pay.” They are both right, of course, but the damage that will be done if Republicans continue to look the other way at corruption within their ranks will be far greater than a mere lost majority.

If the House Republicans cannot manage to stave off the corruption that so often accompanies power, then they will not only damage their majority, but will damage their ideology as well, since that ideology hinges on the expectation that men can behave honorably, even in the absence of a worldly authority to enforce that honor.

While it is certainly true that American conservatism both predates and is much greater than the GOP, and that conservatism's fate is therefore not wholly dependent on the fate of the party, it is no less true that in a two party system, if the party of conservatism falls out of favor, then the cause of conservatism itself will be dealt a blow.

I have no doubt, given the inherently conservative temperament and generally religious character of the nation, that eventually, much of the damage to the ideology would be repaired, though I suspect that at least a portion of it would remain undone. And that is the price conservatives will pay if they are willing to tolerate corruption within the ranks of the GOP.

GEORGE W. BUSH vs. THE CLOCK.

For some time, now, Mark and I have based our expectations for the second Bush term on the fact that neither the President nor his Vice President will be seeking election (or re-election) in 2008. And thus President Bush has considerably greater latitude to act decisively, secure in the knowledge that he can largely ignore the potential political ramifications of his actions.

Though Mark didn't mention it specifically in last week's piece, this "freedom from politics" that President Bush now enjoys is the foundation of his theory, first expressed last summer and reiterated last week, that Bush will be "unbound" in his second term.

We are, of course, not the only ones to have noted this phenomenon. In an article for *Time* last week, columnist Charles Krauthammer wrote:

Nothing like [this] has happened since the 1950s. The five two-term administrations before this one were all followed by an election in which the big man's Veep sought the presidency on his own — a kind of third term as well as an implicit referendum on the previous two.

If anything, Krauthammer understates the uniqueness of President Bush's situation. He is right that in 1952, neither Truman nor his Vice President, Alben Barkley, was the Democrats' nominee, meaning that the presidency was, essentially, an "open seat," as it will be again in 2008. But that was not a fact of which Truman and Barkley were aware during their stint in the White House. Truman almost certainly thought he would run again in '52, deciding against it only late in his term; and Barkley did, in fact, run in '52, only to lose the nomination to Adlai Stevenson. So while the presidency being an open seat is hardly unprecedented, knowing that it will be open for the entirety of the term preceding the election almost certainly is. Surely, President Bush's situation is unlike any other in the era of the modern presidency.

As far as I can tell, the handful of pundits, columnists, and analysts who have addressed this issue have generally focused on the President's situation as a positive, an opportunity for him to do things about which other Presidents could only dream. Mark and I are certainly no exception on this count, since we agree that the President can do great things, knowing as he does that neither he nor his second-in-command will have to face voters again. That said, I can't help but think that there is another element in play here, one in which time, not approval numbers, will prove the greatest impediment to the President achieving his aims.

Think about it this way: when Clinton, Reagan, Nixon, Johnson, Eisenhower, and Roosevelt planned their long-term agendas, each likely did so in the belief that time would not be a primary, or even a secondary concern. If he did not make good on things in the time allotted to him, then his Vice President would simply see his plans through to fruition during his

subsequent presidency. In other words, each man had the reasonable expectation (some more reasonable than others) that there would be some continuity of policy and ideology between his administration and its successor.

President Bush, in contrast, has no such expectations. He knows that come January 20, 2009, the door will slam on his presidency, and a new administration will start fresh, with new advisors, new cabinet secretaries, new policies, and new goals. Even if his second term is successful enough to propel the nominee from his party into the White House, there is no guarantee that Bush's successor will agree with him on all of the matters he holds dear, a fact of which he is likely acutely aware, given that each of the probable frontrunners disagrees with him fervidly on at least one important policy position.

President Bush knows therefore that the situation in which he finds himself is both a blessing and curse. He understands that he not only has an opportunity to do much with his four years, but the pressure of knowing that whatever he does must be finished before the moving vans roll up Pennsylvania Avenue to take him and Laura back to Crawford.

Now, given the incremental nature of change in this town, one would naturally assume that this omnipresent hourglass would motivate the President, who has spoken of radical domestic policy changes (e.g. tax reform, Social Security reform, health care reform, tort reform), to get moving on these proposals as quickly as possible. And since the President has said that he is willing to spend the political capital he has accumulated, then perhaps it is possible he will, indeed, race against the clock to alter the course of domestic policy.

Of course it is also possible, and, in my estimation, far more likely, that President Bush will spend that political capital to continue to alter the course of foreign policy. We all know that George W. Bush believes that his greatest responsibility is to protect American lives and that his success in doing so will determine not only his legacy, but quite possibly the

fate of Western civilization. And we also know that while Bush merely talks the talk of radical reform on the domestic side, he has long walked the walk of a radical on foreign policy.

This analogy is not perfect, but imagine what the Reagan legacy might have been if George H.W. Bush had not been positioned to succeed Reagan and to continue his basic policy prescriptions. Like the younger Bush, President Reagan was a foreign policy radical. He broke dramatically from the tired realism that characterized Republican foreign policy in the 1970s, and his approach to the Soviet Union drove the entire Washington establishment, Republican and Democrat alike, nuts.

It is therefore possible, if not likely, that had the elder Bush not been his heir, then Reagan would have been followed by a President with a more "traditional" approach to foreign policy and Soviet affairs, and this President might well have managed to undo much of what Reagan had worked so hard to achieve, possibly even changing the outcome of the Cold War and altering the Reagan legacy as we know it.

Now, the reason that this analogy is not perfect is that while no one knew it then, by the time Reagan left office in January, 1989, the Cold War was, for all intents and purposes, over. The Berlin Wall fell just ten short months after President Bush was sworn in, and it is entirely unlikely that there would have been anything that anyone, even Michael Dukakis, could have done to screw things up at that point.

But we don't know how the war on terror will proceed, and we can thus not rest assured that the war will be ended on President Bush's terms unless he ends it. The President and Vice President have both repeatedly stressed that this will be a long war, likely to rage well into the next decade. And we have had no reason to suspect otherwise. Until now, that is.

We already know that the lone declared Republican candidate to replace President Bush, my fellow Nebraskan Senator Chuck Hagel, is a devotee of the same stale realism that prolonged the Cold

War stalemate in the 1970s, and facilitated both the retention of power by Saddam Hussein and the rise of radical Islam during the 1990s. There is no question that if he is elected, he will steer the proverbial ship of state on a radically different course than has President Bush.

We also know that of the prospective Democratic hopefuls, only Hillary Clinton appears even remotely aware of the nature of the terrorist threat and the importance of this war. And we can therefore expect that a Democratic successor to Bush would also dramatically alter the course of American foreign policy.

What this means, then, is pretty clear. Last week, Mark suggested that President Bush will act boldly in his second term because he has the opportunity to do so. This week, I suggest that Bush will act boldly because

he has to. In either case, the Mad Mullahs in Tehran, the junior tyrant in Damascus, and nutty Ding Dong in Pyongyang should not get too comfortable with the status quo.

The early fruits of the President's sense of urgency/opportunity are already being seen in Iraq, where, as we predicted, American forces have gone aggressively on the offensive, capturing the terrorist stronghold of Fallujah and forcing murderous mastermind Abu Musab Zarqawi to plead for reinforcements as the noose slowly closes around him. And this is, in our estimation, just the beginning.

Look for the ending to come, if at all possible, sometime before January 20, 2009.

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