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## THEY SAID IT

This happy people can read. It supports a press conforming to the tastes of the common man, or rather to such tastes as common men can have in common; for the best in each is not diffused enough to be catered for in some adventitious power, which guides it for its own purposes, commercial or sectarian. Superstitions old and new thrive in this infected atmosphere; they are now all treated with a curious respect, as if nobody could have anything to object to them. It is all a scramble of prejudices and rumours; whatever first catches the ear becomes a nucleus for all further presumptions and sympathies.

Advertising is the modern substitute for argument, its function is to make the worse appear the better article. A confused competition of all propagandas--those insults to human nature--is carried on by the most expert psychological methods, which the art of advertising has discovered; for instance, by always repeating a lie, when it has been exposed, instead of retracting it. The world at large is deafened; but each propaganda makes its little knot of proselytes, and inspires them with a new readiness to persecute and to suffer in the sacred cause. The only question is, which propaganda can first materially reach the greatest number of persons, and can most efficaciously quench all the others.

George Santayana, "The Irony of Liberalism," from *Soliloquies in England and Later Soliloquies*.

## CONSERVATIVE COLLAPSE AND THE CLIMATE CON.

There are several problems associated with being the down-and-out party in this nation's two-party system. The most obvious and most consequential of these, of course, is the loss of power; the loss of the ability to implement ideas, vision, and agenda. No one likes to lose, and being the minority party means losing. A lot.

Unfortunately for conservatives, this is precisely the predicament in which the Republican Party finds itself today. It is losing. A lot. And it appears poised to keep losing.

After impressive victories in 2000, 2002, and 2004, the GOP collapsed in 2006, handing control of Congress back to the Democrats. And from the looks of things, 2008 may be just as bad, if not worse, for the Grand Old Party. The party's "brand" – as political analysts and commentators have nauseatingly taken to calling it – is losing its value faster than the Lehman Brothers' stock one of us holds. The partisan affiliation of the electorate as a whole has taken a dramatic turn in favor of the Democrats, after having been near parity as recently as 2004. In the generic ballot question (i.e. "Who would you vote for, a Republican or Democrat?") Democrats have opened up an enormous lead (at last measure 19%), as great as the GOP lead in the months heading into the historic watershed election of 1994.

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And to make matters worse, all of this comes despite the fact that the Democrats themselves have done nothing whatsoever to earn the public's affection. They are still as reviled as ever, as evidenced by, among other things, the historically low public approval ratings of the Democrat-controlled Congress. Speaker of the House Nancy Pelosi and Senate Majority Leader Harry Reid are two of the least effective and least likeable political leaders in recent memory. Yet, in the public's mind, they are eminently more tolerable than are their pitiable Republican counterparts. To suggest that the GOP has lost its way would be an understatement of colossal proportion.

And this leads to a second difficult and crucial problem with which declining parties must deal, namely the fact that they are continuously showered with advice on how to improve matters. Some of that advice is good. Most is not. And it is next to impossible for party leaders to distinguish between the two. After all, if they were perceptive enough to tell the difference between good advice and bad advice, chances are they wouldn't be losers in the first place. N'est pas?

And this is exactly the GOP's current lot. The losers who run the Party are being bombarded with advice, much of it from very smart people, and almost none of it of any help whatsoever. Like they say, opinions are like . . . ummmm . . . alimentary canals, everyone has one. And in this particular election cycle, a great many of the opinions to which Republican leaders are being subjected come from real alimentary canals, if you get what we mean.

For example, one of the GOP's most prominent and aggressive advice-givers is retiring Congressman and former chairman of the House Republicans' campaign arm (the National Republican Congressional Committee) Tom Davis. Among other things, Davis has argued quite widely that President Bush is absolutely "toxic" and that Republican candidates should run away from him as fast as they can. Bush, Davis has said, "killed 'the Republican brand.'" Specifically, Davis has suggested that Republicans

should look to put some distance between themselves and the President on Iraq, which, he believes, is a losing issue.

That's all well and good, we guess. But it is important to keep in mind while assessing the accuracy of Davis's charge against Bush, that Davis was one of the Gingrich Revolutionaries brought to power in the landslide of '94. And as a revolutionary in Congress, Davis proceeded to make a name for himself by tackling the very serious, national-security-threatening problem of . . . steroids in baseball. That's right, while Bush was off battling the likes of Osama bin Laden and Saddam Hussein, Davis, then-chairman of the House Government Reform and Oversight Committee, was striking out at and protecting us all from real villains, men like Jose Canseco and Rafael Palmeiro.

So when you hear the anti-Bush advice given by Davis this year, which has received a good bit of media play, just remember the source: a squishy Republican "moderate" from the liberal bastion of Northern Virginia, who spent his time last year wasting the nation's money trying to determine if Mark McGwire's rippling biceps were God's gift or man-made.

Of course, not all the advice given Republicans this year has been quite this bad or has come from sources quite this foolish. Last week, for example, the conservative columnist David Brooks suggested that the GOP needs to get serious about growing "middle-class anxieties." The problem with the GOP, Brooks advised, is that it is "unfit to govern." He continued:

As research from the Republican pollster David Winston has shown, any policy becomes less popular when people learn that Republicans are supporting it. If the G.O.P. sponsored the sunrise, voters would prefer gloom. Many Republicans are under the illusion that they are in trouble because they've betrayed their core principles. The sad truth is that if they'd been more conservative, they'd be even further behind.

Sadly, Brooks is probably right. As conservatives, we'd love for Republicans to embrace "core" conservative principles. But the fact is that this would be a disaster for the GOP electorally. You see, the Republicans' "principle" problem isn't that they aren't conservative enough; it's that they are politically incompetent. And political incompetence and conservatism make for a dangerous brew.

To put it bluntly, conservative positions are rarely "popular." As such, it takes a fair amount of intelligence, knowledge, and political acumen to explain to voters why they should be willing to sacrifice the "stuff" promised by liberal policies in the hope of reaping some nebulous benefit sometime in the future, particularly when this "benefit" can only be couched in the terms of a negative which might, theoretically, be avoided.

Conservatism, in short, requires a certain amount of critical thought, not just on the part of the conservative political leaders, but on the part of the public as well. And most "conservative" political leaders today are either incapable of critical thought themselves or are too indolent or beaten down even to try to provide the voting public with the knowledge and the insight necessary to evaluate an issue critically.

Both the majority of "conservative" politicians and a majority of the American people evoke the sentiments expressed by George Santayana in the "They Said It" quote at the top of this newsletter. All of which is to say that Brooks is right and that a "more conservative" approach from the lot of alleged conservatives who currently lead the GOP would be electorally disastrous.

That's too bad, really. The times and its problems are screaming out violently for conservative leadership and for conservative policy proposals. While the entire nation is fixated on various problems and how best to have government fix them, the political environment desperately needs someone with the political courage to say, "don't do something; just stand there." Consider the following.

As more than one analyst (political, market, and otherwise) has pointed out, the most daunting crisis currently facing American governance revolves around energy policy or the nation's lack thereof. With oil racing upward towards \$150 a barrel and with two hot wars and several proxy wars being fought in the world's most fertile oil producing regions, energy is now and will continue to be an enormous risk to the global economy, to individuals' personal economies, and even to national security.

And what are our brilliant and bold political leaders doing about this problem? Why, they are trying their damndest to figure out how to make energy more volatile, less plentiful, and more expensive. The cap-and-trade global warming scheme introduced and pushed by Congressional Democrats was, mercifully, pulled last week by the Senate leadership after a failed cloture vote. But it will be back and it will be damaging. Two weeks ago, *Washington Post/Newsweek* columnist Robert Samuelson, who is anything but a conservative, described the pending cap-and-trade fiasco in rather blunt and rather ugly terms:

The chief political virtue of cap-and-trade – a complex scheme to reduce greenhouse gases – is its complexity. This allows its environmental supporters to shape public perceptions in essentially deceptive ways. Cap-and-trade would act as a tax, but it's not described as a tax. It would regulate economic activity, but it's promoted as a "free market" mechanism. Finally, it would trigger a tidal wave of influence-peddling, as lobbyists scrambled to exploit the system for different industries and localities. This would undermine whatever the system's abstract advantages.

If ever there was an issue that would be effectively addressed by "standing athwart history," it is global warming. And if ever there was a policy proposal that would best be handled by "yelling stop!" it is cap-and-trade.

As various conservative commentators, from Jonah Goldberg to Pat Buchanan, have noted recently, conservatism as a governing philosophy can perhaps be best summed up by one of its greatest twentieth century practitioners, the thirtieth President of the United States, Calvin Coolidge, who once said, “Four-fifths of all our troubles in this life would disappear if we would just sit down and keep still.” Or, as he put it more artfully, “When you see ten troubles rolling down the road, if you don’t do anything, nine of them will roll into a ditch before they get to you.”

Never have either of Coolidge’s admonitions been truer than they are with regard to global warming. Though it is quite possible that you wouldn’t know this if you get your news exclusively from the global-warming-hysterics in the mainstream media, the fact is that the “scientific consensus” proclaimed by Al Gore has recently developed some serious cracks, all of which point to doing nothing about the alleged problem, at least not yet.

Recently, it was revealed that even the United Nations’ warming-biased computer models now predict that there will be no warming in the global climate for roughly the next decade. Accurate and verifiable data on such things as ocean circulation cycles have rendered the erstwhile worst-case scenario computer models invalid. The global warmists, naturally, insist that between 2015 and 2020 the warming cycle will resume with even greater ferocity. But as with everything in this “scientific” field, their expectations are based on several unknowable variables.

Additionally, many climate scientists have argued recently that what warming there was over the course of the 20<sup>th</sup> century was the product not of human activity, but of solar activity. And with the sun now entering a less-active phase, the world faces far greater risk from global cooling that it does from global warming. Last year, the average global temperatures dropped by .7 degrees Celsius, and they have been dropping since 2002. Further drops are hardly out of the question, as the planet enters what climate scientists call Solar Cycle 24, a cycle which many believe has the potential to produce what Philip

Chapman, a former NASA astronaut-scientist and former president of the National Space Society, recently termed “a mini ice age.”

More to the point, even if global warming is real, and even if it is man made, and even if it is something that should be addressed today (all BIG ifs), the proposed solutions not only will be extremely costly, but will do almost nothing to help. Even if all of the models are correct (again, a BIG if), implementing draconian carbon-emissions cuts, such as those advocated by the Kyoto protocol, will produce negligible decreases in global temperature, on order of  $1/10^{th}$  of the natural decline experienced last year alone. It’s no wonder, then, that the inimitable Mark Steyn recently declared that “You could take every dime spent by every government and NGO and eco-group to investigate ‘climate change’ and spend it on Internet porn instead, and it wouldn’t make the slightest difference to what the climate will be in 2050.”

Even if Al Gore has identified the problem, he hasn’t yet identified a serious solution. The whole global warming regime is so senseless and so ridiculous that we couldn’t help but be reminded of the words of Otter in *Animal House* who declares that “I think we have to go all out. I think that this situation absolutely requires a really futile and stupid gesture be done on somebody’s part.”

(A declaration, by the way, which followed one of the greatest speeches in American cinematic history, as follows:

*Bluto (John Belushi):* Over? Did you say “over”? Nothing is over until we decide it is! Was it over when the Germans bombed Pearl Harbor? Hell no!

And it ain’t over now. ‘Cause when the goin’ gets tough . . . the tough get goin’! Who’s with me? Let’s go!

What the \*%#\$ happened to the Delta I used to know? Where’s the spirit? Where’s the guts, huh? “Ooh, we’re afraid to go with you

Bluto, we might get in trouble.” Well just kiss my a\*\* from now on! Not me! I’m not gonna take this....)

Given all of this, it seems absurd that anyone, much less a self-described “conservative” could possibly manage to support the idea of implementing a multi-trillion dollar bureaucratic boondoggle such as was debated on the Senate floor last week. The whole thing sounds absurd and we would expect that a conservative would know it. But does the “conservative” movement’s new leader, Senator and presumptive presidential nominee John McCain get this? Nope. Not even close. In fact, when the Democrats, fresh off their lost cloture vote, tried to blame their failure on the anti-warmists in the “Bush-McCain” crowd, everyone knew that they had pushed too far and made fools of themselves, since McCain is a long-time advocate of this pointless policy. McCain actually went out of his way to note that if he had been in the Senate instead of out on the campaign trail, he would have voted for cloture on the bill. And he’s the *conservative* in the race for president.

What this means, then, is that it is only a matter of time before a cap-and-trade global warming plan is passed. This November the Democrats will likely increase their majorities in both houses of Congress, and they will likely also have the unqualified support of the next president, irrespective of which candidate wins. And this will all but certainly prove a disaster.

Why? Because one of the key characteristics of the modern bureaucratic organization is a rational drive for self-preservation and budget maximization. As the eminent William Niskanen pointed out nearly four decades ago now, bureaucracies are, at all times, seeking to expand their budgets and, in fact, make expansion of budgets one of the crucial drivers of their actions. Which is to say that once a bureaucracy has been established, it is next to impossible to destroy and, moreover, it will all but certainly continue to expand. So even if climate change turns out to be a fantasy, neither created by humans nor receptive to human responses, the bureaucracy created to

formulate those responses will continue to exist and to grow, as long as we both shall live (and likely much longer).

Our advice then, as one watches all of this unfold, is to fear any and all movement by either side, or to put this another way, to pray for gridlock. Energy policy is one of the facets of public life in which government inaction would be far preferable to government action. Indeed, it would be hard, if not impossible, to imagine a “comprehensive energy policy” that has any possibility of passing Congress and being signed by a president that would not be a disaster and which did not involve the government needlessly in the lives of ordinary Americans.

God willing, Republicans will toughen up, refine their rhetoric, and hone their strategy to prevent this disaster. But we have little faith that they will. As we noted above, they are losers and are likely to remain so for the foreseeable future. The next best thing would be if they would just get in the way, stand there and look stupid, clog up the drain. That they might be able to do. Let us hope so.

## AH YES, CHANGE.

Some years ago George Carlin coined the phrase “vuja de,” which he described as the “distinct sense that somehow, something that has just happened has never happened before.” Our advice to investors this week is to reflect upon this phrase, mull it over, become comfortable with it, and begin planning for a world where the experience of vuja de is likely to become increasingly common, a world in which the political and economic assumptions upon which you ordinarily base your forecasts become less and less reliable, where the phrase “what the hell are those people doing” becomes a cliché.

Why should you do this? Well, for starters, the Republican Party is going to field a candidate for president whose actions and attitudes are highly compulsive and whose political views are independent

of any apparent foundational ideology, a man for whom the term erratic behavior might be considered an understatement.

And the Democrats are going the GOP one better, sending someone into the fray who, given his long-time association and friendship with leftist radicals, victim mongers, and race baiters, is not likely to view social, political, foreign policy, regulatory, monetary, judicial, and economic initiatives from the same perspective as the rich and privileged white guys and girls whose past actions form both the formal and informal nexus of most forecasting models and methods.

John McCain fits into no box. He is neither a conservative nor a liberal. He is, as he has often been called, a maverick. His record in office demonstrates that he has no recognizable, foundational view concerning the government's role in American society or America's role in the world; that he is capable of adopting any cause, no matter how bizarre, and fighting for it as though it were somehow crucial to his spiritual being.

In attempting to understand how McCain might act in any given situation, one can, of course, begin with the premise that he is reasonable and intelligent. But this premise must be weighed against the fact that he has proven time and again that he has a very weak understanding of both economics and human nature and that this feeds his inclination to take up causes that are at odds with what a reasonable and intelligent individual would believe to be reasonable and intelligent. Cases in point include, but are not limited to, his stand on tobacco litigation, campaign finance reform, immigration policy, and more recently "carbon credits."

There is also a strong element of unpredictability associated with McCain's notoriously violent temper, which a friend of ours who has known and worked with the Senator for many years described as not just anger "but a deep continuing rage that is always just under the surface." This has not made McCain all that popular among his colleagues, few of whom, it should

be noted, rushed to support his nomination in 2004 or have done so this year. Mississippi Senator Thad Cochran once summarized the views of many who know McCain with the following observation: "The thought of [McCain] being president sends a cold chill down my spine. He is erratic. He is hotheaded. He loses his temper and he worries me."

So the answer is to vote for Barack, if one is wedded to the comfort of conventionality based on the view that surprises and uncertainty are anathema to well functioning financial markets. Right? Well no, not really. You see Obama is, to borrow a phrase from Winston Churchill, a riddle, wrapped in a mystery, inside an enigma.

For years, he attended, and befriended the minister of, a church that subscribes to a doctrine that is far outside the mainstream of conventional American thought on such important issues as a race relations, victimhood, collective guilt, national pride, America's historical part in the development of Western civilization, the cause of inequalities between and among human beings, the relationship between peace and military strength, and the nature of what Hobbes, Locke, Rousseau, and other have described as the social contract.

Now one can argue that the Reverend Wright, this old friend and spiritual mentor to Obama, is correct in everything he says and that conventional American views on these issues are wrong. But, either way, if the United States is about to elect a president who believes as the Reverend Wright does, then one has to assume that he is likely to select close advisors and cabinet members who share these beliefs, or at least does not find them to be offensive. And if this is the case, then one has to understand that this president is likely to make decisions that will be quite different from those that any and all prior presidents have made on a variety of issues, not just unexpected decisions, but unpredictable as well.

If, of course, Obama has abandoned the views of his spiritual advisor, after finding them to be not just acceptable but enticing for the past 20 years, then the

task of determining what he now believes as a means of making assumptions about how he will react to future events becomes even more daunting.

It is not difficult, for example, to believe that Obama's recent promise of unwavering support for Israel is absolutely sincere while at the same time questioning whether the actions he would take in defense of Israel would be consistent with the actions that others who have also pledged unwavering support for Israel would take. Obama has, after all, never demonstrated anything but friendship and respect for Lewis Farrakhan, who makes his living as an anti-Semitic hate monger.

Now we are not saying here that either a McCain or an Obama presidency will be a disaster. Indeed, our point is that it is nearly impossible to forecast with any degree of confidence how either John or Barack will act under any given circumstance. One thing on which you can count is that the next four years are going to be full of surprises, moments when the rarely used term "wonderstruck" might be appropriate, or possibly even George Carlin's phrase, vuja de. The other certainty is that neither man is, in the end, likely to please anyone, for both will compromise too much to please their friends and not enough to make friends of their enemies, of which both have a great many.

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