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## THEY SAID IT

Put away all thought of the crime and agony which would have to be gone through in order to bring about the Socialist Utopia; get it somehow brought about by fairy agency; could there, even then, be anything more loathsome than one wide waste of proletariat-Cocqigruue comfort; everybody as good as the President; everybody as “well educated” as everybody else; everybody stationed, rationed, regulated by some kind of abstract “State” – as equal, and really about as free, as pigs in a sty, and not much better deserving the name of man, or the manly chances of position, possession, genius, ancestry, and all that differentiates us from brutes?

George Saintsbury, *A Scrap Book*, 1922.

## In this Issue

The Left, the Right, and the Wrong.

President Obama: Socialism’s Sentinel Perdue.

## THE LEFT, THE RIGHT, AND THE WRONG.

It would be hard to imagine a starker choice in presidential candidates than the one that is being offered to Americans this time around. It has been at least two decades since voters had the opportunity to choose from anything other than the mushy-left (“New Democrat” Bill Clinton; Southern tax-cutter Al Gore) or the mushy-right (“compassionate conservative” George W. Bush; tax squish George H.W. Bush). And it’s probably been nearly a quarter century since the policy differences between the two candidates has been this glaring.

During the GOP primary “maverick” centrist John McCain tacked to the right on a host of issues, and has had neither the opportunity nor, apparently, the inclination to tack back to the center. But even if he had, the differences between him and his Democratic opponent would be far greater than those between any two candidates in recent memory.

Senator Barack Obama is a leftist. He may speak in the soothing, dulcet tones of political centrism and may promise to represent the “middle class” as president, but there is no way that anyone can take an honest look at his personal past, at his political record, or at the policies that he and his ideological allies intend to pursue and conclude that he is anything but furthest left of any major party candidate since Lyndon Johnson and perhaps in the history of the nation.

We know, for example, that Obama was, as recently as last decade, the endorsed candidate of and quite likely a member of Chicago’s New Party. And the New Party, for its part, was a functionary of the infamous community organization ACORN (Association of Community Organizations for Reform Now) and the Chicago chapter of the Service Employees International Union (SEIU) Local 880. Moreover, as Stanley

Kurtz has noted, the New Party was a “fusion party,” meaning that his affiliation with it placed Obama “on the far left end of the Democratic party, arguably with one foot outside and to the left of the party itself.”

The New Party was also quite likely affiliated with and possibly established by the Democratic Socialists of America party. The connections and ties are murky, of course, this being the Chicago/Daley machine. But what is incontrovertible is that as recently as 1996, Barack Obama was affiliated with a political organization that openly and proudly proclaimed its status as a socialist, dead-ender party.

We also know that Barack Obama has not just befriended onetime terrorists, but that he has worked with, collaborated with, learned from, funded, has been funded by, and has been advised in one capacity or another by radical anti-American Marxists. We won't rehash either Obama's Jeremiah Wright or the William Ayers connections, but it should suffice to say that these ties to radical and passionate leftism are hardly his only such ties.

Former Maoist stooge Michale Klonsky is a longtime friend of Ayers' and a longtime education ally of Obama's and, until controversy erupted in June, had a dedicated blog on the official Obama campaign web site. Additionally, Obama has ties to Palestinian intellectual and activist Rashid Khalidi, who is also a longtime associate of Ayers and is the intellectual and polemical heir to the late Edward Said. Like Ayers, Khalidi is highly critical of both the United States and its foreign policy, and, for many years, lived just a few blocks from the Obamas in Hyde Park. In 2003, Obama attended a farewell for Khalidi (who was leaving to take Said's old job at Columbia) and discussed their long and warm friendship. The *Los Angeles Times* described it thusly:

His many talks with the Khalidis, Obama said, had been “consistent reminders to me of my own blind spots and my own biases . . . It's for that reason that I'm hoping that, for many years to come, we continue that conversation – a

conversation that is necessary not just around Mona and Rashid's dinner table,” but around “this entire world.”

We're certain that there are other such relationships, and equally certain that time will reveal them. In the meantime, while the Obama team howls about “guilt by association,” we're still left wondering why any would-be President of the United States would “associate” with such a wide and varied group of leftist radicals. Maybe it's not fair to judge Obama by their actions, particularly when he's publicly disavowed them, but certainly it's reasonable to ask why there are so many individuals in his life whose actions he's felt it necessary to disavow.

On policy matters, Obama's leftism is even more apparent and likely to be even more pertinent. Again, he may sing the sweet sirens' song of centrism, but there is no question which direction he will push the country.

On taxes, he has actually accomplished two rather impressive feats. For starters, he has become the first candidate openly to advocate steep tax hikes since Walter Mondale did so in 1984. Mondale, of course, made his pledge on the way to losing 49 of 50 states. But Obama has managed to promise higher taxes with no apparent repercussions. Additionally, and perhaps more importantly, Obama has managed to destroy four-plus decades of research, observation, and evolving political consensus with regard to fiscal policy and its ability to “incentivize” the public. In other words, a President Obama will not only move in the opposite direction of McCain on tax rates, but will move in the opposite direction of every President since Carter on the implications of tax policy.

Now, we know that Obama has said that he will cut taxes on “95% of working Americans.” But we also know that that is about as close to a barefaced lie as one can get. Roughly 40% of American workers pay no taxes at all, which means a couple of things. First, taxes on the nation's most productive workers will go up. Political prognosticator extraordinaire Michael Barone put it this way over the weekend:

One thing they [the Democrats] will certainly do is raise taxes on high earners. The Bush tax cuts are scheduled to expire in 2010, and congressional Democrats will gleefully allow the top rates to rise. Left-leaning Democrats, like Barack Obama himself, want to “spread the wealth around,” as the candidate told Joe the Plumber in October. Blue Dog Democrats want to reduce the budget deficit and will welcome the additional revenue that the Congressional Budget Office’s static-analysis models will promise. Raising taxes when the economy is weakening is not the medicine prescribed by Keynesian economics, and it is probably not what Obama’s economic advisers would prescribe if they were starting from scratch today. It is what Herbert Hoover and Congress did in the early 1930s, and it helped to produce the Great Depression. But it is baked into the pie.

Second, incentives for work are going to be destroyed, likely crippling any recovery effort before it can begin by crushing any inducements to increase productivity. The former Chairman of President Bush’s Council of Economic Advisors (and the man who *shoulda*’ been Treasury Secretary), Greg Mankiw explains how this perversion of incentives will work in the top earners’ brackets:

Let me try to put each tax plan into a single number. Let’s suppose Greg Mankiw takes on an incremental job today and earns a dollar. How much, as a result, will he leave his kids in T years?

The answer depends on four tax rates. First, I pay the combined income and payroll tax on the dollar earned. Second, I pay the corporate tax rate while the money is invested in a firm. Third, I pay the dividend and capital gains rate

as I receive that return. And fourth, I pay the estate tax when I leave what has accumulated to my kids.

Let  $t_1$  be the combined income and payroll tax rate,  $t_2$  be the corporate tax rate,  $t_3$  be the dividend and capital gains tax rate, and  $t_4$  be the estate tax rate. And let  $r$  be the before-tax rate of return on corporate capital. Then one dollar I earn today will yield my kids:

$$(1-t_1) \{ [1+r(1-t_2)(1-t_3)]^T \} (1-t_4).$$

For my illustrative calculations, let me take  $r$  to be 10 percent and my remaining life expectancy  $T$  to be 35 years.

If there were no taxes, so  $t_1=t_2=t_3=t_4=0$ , then \$1 earned today would yield my kids \$28. That is simply the miracle of compounding.

Under the McCain plan,  $t_1=.35$ ,  $t_2=.25$ ,  $t_3=.15$ , and  $t_4=.15$ . In this case, a dollar earned today yields my kids \$4.81. That is, even under the low-tax McCain plan, my incentive to work is cut by 83 percent compared to the situation without taxes.

Under the Obama plan,  $t_1=.43$ ,  $t_2=.35$ ,  $t_3=.2$ , and  $t_4=.45$ . In this case, a dollar earned today yields my kids \$1.85. That is, *Obama’s proposed tax hikes reduce my incentive to work by 62 percent compared to the McCain plan and by 93 percent compared to the no-tax scenario. In a sense, putting the various pieces of the tax system together, I would be facing a marginal tax rate of 93 percent.*

*The bottom line: If you are one of those people out there trying to induce me to do some work for you, there is a good chance I will turn you down. And the likelihood will go up after President Obama puts his tax plan in place. (Emphasis added.)*

But it gets worse. The incentive to avoid work will actually increase at the bottom of the income spectrum as well, not despite the fact that Obama promises low-income earners a tax cut, but *because* of it. Because most low-income earners pay no income taxes at all right now, Obama has pledged to refund to them a portion of their payroll taxes (immediately, as opposed to upon retirement as the plan was set up to work). Rather than paying into the system, then, these workers will have a check cut to them by the federal government. In essence, then, Obama will break with seven decades of precedent and the intentions of liberal icon Franklin Roosevelt, turning Social Security into a welfare plan instead of an old-age pension into which every worker pays. Moreover, he'll violate the spirit of the 1990s welfare reforms, providing an incentive for workers to keep earnings low in order to keep their "free" money coming in from Uncle Sam.

Want more? Really?

There is also the increasing likelihood that the markets are reacting not just to the credit crisis and to dismal profits reports but to the apparent inevitability of an Obama presidency. Of course, we all know by now that Obama would like very much to raise taxes on capital gains and dividends (which would spark a sell-off), but that's not the half of it. Under unified Democratic control, the markets could take an even bigger and irreversible hit. Consider the following, noted here by Jim Pethokoukis, the money and politics blogger for *U.S. News and World Report* (but also noted by others, including *The Wall Street Journal's* James Taranto):

House Democrats recently invited Teresa Ghilarducci, a professor at the New School of Social Research, to testify before a subcommittee on her idea to eliminate the preferential tax treatment of the popular retirement plans. In place of 401(k) plans, she would have workers transfer their dough into government-created "guaranteed retirement accounts" for every worker. The government would deposit \$600 (inflation indexed)

every year into the GRAs. Each worker would also have to save 5 percent of pay into the accounts, to which the government would pay a measly 3 percent return. Rep. Jim McDermott, a Democrat from Washington and chairman of the House Ways and Means Committee's Subcommittee on Income Security and Family Support, said that since "the savings rate isn't going up for the investment of \$80 billion [in 401(k) tax breaks], we have to start to think about whether or not we want to continue to invest that \$80 billion for a policy that's not generating what we now say it should."

To say such a move would be a disaster is dramatically to understate the problem. Not only would there be an immediate effect on the markets (what Pethokoukis describes as "sticking a shiv into the portfolios of everyone who didn't jump aboard") but there would be a long-term effect on the nation as well. There is a reason that people like Grover Norquist and Americans for Tax Reform have long advocated 401(k) plans and the shift among employers from "defined benefit" pensions to "defined contribution" pensions, namely the fact that they increase market participation and awareness of the impact that government actions can have on those markets.

Eliminating 401(k)s would have precisely the opposite effect. In doing so, the left would reduce participation in the markets, reduce awareness, and, undoubtedly, set the stage for market-unfriendly policies – including hiking the capital gains tax rate.

On foreign policy, the differences between the candidates are equally stark. McCain, obviously, has been the consummate hawk throughout the war on terror, advocating "the surge" in Iraq long before "the surge" had a name and insisting that a similar change in strategy in Afghanistan, under the direction of Iraq's savior General David Petraeus, will have a similar effect on prospects for that war as well.

And Obama? Well, we guess that depends on the day and the crowd to whom he is speaking. Clearly, though, he advocates a far more dovish policy than does McCain.

Evidence of his dovishness can be found almost anywhere, but perhaps the most startling source is Obama's own running mate. Last week, Joe Biden declared that we should "mark his words" that "it will not be six months before the world tests Barack Obama like they [sic] did John Kennedy. The world is looking. We're about to elect a brilliant 47-year-old senator president of the United States of America. Remember I said it standing here if you don't remember anything else I said. Watch, we're gonna have an international crisis, a generated crisis, to test the mettle of this guy."

Such an expectation can only be the byproduct of Obama's dovishness and his inconsistency. If the world knew for certain where he stood and knew that he stood for a robust national defense, such a test would be not merely unnecessary but foolish. As it is, the belief – as articulated by *his own running mate* – is that Obama will need testing and that the presumption will be that he will fail that test.

Why would that be the presumption given how convincingly he has sold himself as a strong-on-defense-moderate? Because like everything else, what Obama has said on the campaign trail this fall belies what he has said and done throughout his career and what others who wield power in his party are saying and doing. Here's Obama from last spring, when he was still trying to rally the left-wing to his cause and to defeat Hillary Clinton:

I am the only major candidate who opposed this war from the beginning, as president I will end it. Secondly I will cut tens of billions of dollars of wasteful spending, I will cut investments in unproven missile defense systems, I will not weaponize space, I will slow our development of future combat systems

and I will institute an Independent Defense Priorities Board to ensure that the Quadrennial Defense Review is not used to justify unnecessary spending. Third, I will set a goal of a world without nuclear weapons, to seek that goal I will not develop new nuclear weapons, I will seek a global ban on fissile material, I will negotiate with Russia to take our ICBM's off hair trigger alert and to achieve deep cut in our government arsenals.

Super. Because we know that Putin and the Russians are likely to be charmed by Obama and give him what he wants just because he is so darned cute.

Last week, Barney Frank, the chairman of the House Financial Services Committee and ally of House Speaker Nancy Pelosi, experienced a fit of honesty and explained what he and the rest of his party intend to do once their guy is control of the veto pen. According to *The Hill*:

Rep. Barney Frank (D-Mass.) said Democrats will push for a stimulus package after the November election, and called for a package reducing defense spending by 25 percent while saying Congress will "eventually" raise taxes.

Frank told the editorial board of the *South Coast Standard-Times* that he wanted to reduce defense spending by a quarter, meaning the United States would have to withdraw from Iraq sooner.

"The people of Iraq want us out, and we want to stay over their objection," he said. "It's extraordinary."

We could go on. And perhaps we should. But in any case, we think we've made our point, which is that there is a clear difference between the two candidates, clearer than between any two in quite some time.

Given this and given the fact that Obama's history, associations, and policy positions place him well outside of the historical mainstream, we are left with only two possible conclusions.

First, the media has been incredibly effective at aiding the Democratic candidate and hiding the "real" Obama from voters. And, at the same time, John McCain has run one of the weakest campaigns in history, leaving so many targets unhit that one could be excused for wondering if his eyesight isn't failing in his advanced years.

If this is the case, the American public is in for a shock. When their post-racial, post-partisan moderate turns out to be nothing of the sort, they will be alarmed, horrified, and likely to react by shifting back to the right and by allowing Republicans to take back the Congress in two years hence and the White House in 2012.

The second conclusion – and the one, sadly, which we believe is the more likely of the two – is that the American electorate understands well what it is getting into and doesn't really care. Voters know the real Obama and are willing to vote for him anyway.

Back during the 2004 campaign, we wrote repeatedly that the American electorate was incapable of doing what John Kerry and the Democrats wanted it to do, namely change proverbial horses midstream and concede defeat rather than see its obligations through to a positive conclusion. The electorate resoundingly rejected defeatism in 1972 and 1980 and would do so again. The American electorate was unwilling and even unable to side with the defeatist Democrats when the chips were down.

But since then, the electorate has changed and is still changing. The Baby Boomers are retiring and are looking more for security and comfort than liberty and opportunity. And as we have seen for forty-plus years, what the Boomers want, the Boomers get.

Additionally, we are beginning to see the political and social maturation of the so-called Millennium generation, the largest generational cohort in the

nation's history (larger than even the Boomer generation) and, in part, the heirs to the Boomers' narcissism and self-involvement. A decade ago, we noted that "according to the Census Bureau's mid-1998 population estimates, the nation's 75 million or so boomers have a generational competitor of comparable magnitude in the form of 70 million-plus Americans 18 years old or younger. This is larger than at any preceding time in the nation's history, surpassing by 300,000 the previous high water mark set in 1966, two years after the last boomer was born."

These "kids" are now of voting age, in the workforce in large numbers, and are, in many ways, driving the nation's priorities. They are a generation raised without any sense of stability or loyalty and with little sense of personal sacrifice or discipline. They are more conservative than their parents in some ways (on abortion, for example) but far more used to and accepting of government intervention in their everyday lives. And they, in part, are driving the Obama phenomenon.

Last week, in an interview with the former Reagan speechwriter Peter Robinson, Thomas Sowell declared that this election marks a watershed in American politics and a sort of "point of no return." If Obama is elected, he argued, then the effect that he will have on the nation's domestic and foreign policy establishments will be unprecedented and largely irreversible. American exceptionalism will give way to European-style social welfare and foreign policy delicacy.

We're not sure that we would be quite as pessimistic as Sowell is. But then, we're not as smart as he is either.

If, as expected, Barack Obama is elected the 44<sup>th</sup> President of the United States next Tuesday, then that will be a sign that something has indeed changed and is unlikely to change back. Those conservatives who insist that Obama will screw things up so badly that there will all but certainly be a conservative rebirth are, we're afraid, deluding themselves. This isn't 1976 all over again. And it isn't 1992. There is no Reagan on

the horizon. There's not even a Newt (at least not the Newt that Newt was in 1994).

Maybe we're wrong. Maybe McCain is the problem and people don't know what they're getting into with Obama. But we doubt it. This seems to us to be a conscious choice for "change." And just because we're aware that this "change" will be incredibly destructive, that doesn't mean that everyone else is or even, for that matter, that they care.

## **PRESIDENT OBAMA: SOCIALISM'S SENTINEL PERDUE.**

Now we are not experts on the mysterious nuances that America's Orwellian "thought police" employ when seeking evidence of racism in the everyday pronouncements of the nation's citizens. Indeed, rarely a day goes by that we don't read something that someone has said that seems to us to be racist in nature, but that is regarded by the self-appointed experts on such matters as benign, only to hear of someone else on the same day being branded a racist for saying something that appears to us to be innocent of prejudicial overtones.

Nevertheless, despite our poor understanding of this arcane science, we have decided to toss a theory of our own into these treacherous waters. It is only a theory, mind you. But it is one that, if true, would expose the existence of a racially explosive plot by the nation's largely Caucasian, political establishment to let a black guy take the fall for the terrible mess that they have collectively made of things over the past several decades.

Of course, we have no solid evidence of such a conspiracy, but certainly, anyone who is paying any attention at all knows that the poor sap who wins the election next week doesn't have a chance in hell of leaving the White House in four years with either high popularity ratings or a shred of dignity left. So why not hand this hopelessly impossible job to some poor black guy with the middle name of Hussein, with known links to terrorists, with ties to a noxious cabal of Chicago snollygosters, and with no experience in

managing anything whatsoever, much less the most powerful nation in the world, and assume that his failure is likely to be so spectacular that the ultimate responsibility for the whole mess will fall on his shoulders rather than on those of the white crooks and mooncalves who made the mess in the first place.

And indeed, if one is seeking a guaranteed loser to take the ultimate blame for the on-going economic meltdown, the astounding proliferation of corruption, and the growing social tensions among classes and races it would difficult to find a better candidate than a black socialist whose understanding of economics appears to begin and end with the musings of Sidney and Beatrice Webb, who is either highly comfortable around crooks or too stupid to recognize one even when the guy buys him a house, and who says and does things that make sensible people question his affection for and ties to America's traditional culture.

Now we are admittedly kidding around a little here. But nevertheless, one has to recognize the irony in the fact that the first order of business for the nation's first black president, if he is elected next week, will be the Herculean task of cleaning the dung out the Augean stables left behind by the best and the brightest among America's white elite. And you can bet that this won't go unnoticed by the nation's "black leaders" when President Obama gets in trouble, which all presidents eventually do.

Indeed, it would be hard to imagine a worse time for a man to assume the presidency who is committed, both by his personal philosophy and campaign promises, to radically change the distribution of wealth among Americans, when "the wealthy" are already losing capital at an astonishing rate, and who wants to place restrictions on trade, when the nation requires \$2 billion a day of foreign loans and investments to cover its trade deficit.

And this raises a theory about the existence of another racially explosive plot hatched by the nation's largely Caucasian, political establishment. This one deals with the question of whether this establishment is sending the black guy out by himself into enemy territory

to test the extent of the political danger involved in proposing a whole set of odious socialist schemes to address the mess they made and without which mess these schemes wouldn't have a chance of even being considered.

You see, the tool that Barack will eventually have to employ, if he is going to address the fiscal problems he faces, while remaining true to his socialist roots, is to tax wealth rather than income. It is, after all, a very short jump from saying that someone "*makes* too much money" to declaring that "someone *has* too much money"

There are, of course, many ways for the federal government to tax wealth, but the first step will almost certainly be means-testing the big "entitlement" programs, starting with a sliding scale for both Social Security payments and Medicare deductibles. In reality, this involves nothing more than collecting the inheritance tax prior to the death rattle. It remains to be seen whether the great Oracle of Omaha would approve of this new wrinkle in his favorite tax, since it would be hard for him to design a high priced insurance policy to protect "the rich" against pre-death confiscation.

Now once again we have to admit that we have no solid evidence of a conspiracy to let the black guy carry the flag of socialism into the fray alone. But given the potential political danger involved, it would be hard to find a better candidate for such an experiment than an obscure, young up-start who would be little missed by the white establishment if he crashes and burns, and easily manipulated by these "masters of universe" if he succeeds.

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