

**Mark L. Melcher** Publisher  
melcher@thepoliticalforum.com

**Stephen R. Soukup** Editor  
soukup@thepoliticalforum.com

## THEY SAID IT

The point of this exercise is not to try to guess wildly at “unknown unknowns,” but to discuss in a broader context the issues and conditions that we know will be important (the known unknowns) and how developments might progress and might therefore affect our lives, the financial markets, and the world at large.

Mark Melcher and Steve Soukup, “2008: The Good, the Bad, and the Ugly,” January 2, 2008.

## In this Issue

Domestic Politics 2009:  
The Good, the Bad, and the  
Crooked.

## DOMESTIC POLITICS 2009: THE GOOD, THE BAD, AND THE CROOKED.

We’ve been doing these first of the year prediction pieces long enough to wonder sometimes whether we need any longer to include the usual caveats, specifically that we know that you know that we know that we cannot actually see into the future. But just in case, for the record, here is the Cliff’s Notes version of our customary disclaimer: What follows are our forecasts, our *guesses* actually, about the likely occurrence of certain of events, proffered more as a literary vehicle for discussing the present with an eye to the future than as a foundation upon which to make any bets.

As always, we will divide this forecast exercise into two categories: domestic politics and foreign policy. For a handful of reasons – all of them legitimate, none of them interesting – we’re going to reverse the order of categories this year, running the domestic predictions today and following up with the foreign policy forecast next week. So here we go . . .

*PREDICTION #1: The presidency of Barack Obama will, by and large, be a non-story in 2009, at least in terms of politics and policy.*

Now, we know what you’re thinking: that we’ve completely lost it, pushed over the edge by a combination of Obama’s victory and George Bush’s last minute rush to destroy the last remnants of conservatism and to set the stage for Obama to expand the administrative state even more dramatically than he did. Well, maybe. Certainly, we know that the idea that Obama will be a non-factor in this, his first year sounds counter-intuitive, to say the least. After all, two weeks from tomorrow, the guy will become the first black president in the history of the nation, the most liberal president in six-plus decades, the most eloquent president in some time, and a president in whom the public already appears to have great confidence. So we’re a couple of nuts.

Or maybe not. Let us explain.

You'll note that the above prediction contains one very important modifying phrase, "at least in terms of politics and policy." Obama's impact on the day-to-day business of official Washington will, we believe, be negligible, even as his impact on the country and the world at large could be notably more significant.

Obama and his family will be by far the most important and stylish celebrities in the world. Barack's inauguration will be the toast of the so-called "global community." In the salons of Europe, they will celebrate his rise and the attendant demise of the ugly "cowboy" American. They will nod approvingly at the slow, coarse, erstwhile irredeemably racist Americans finally becoming part of the civilized world, even as they hide away their own racial minorities in wretched and forsaken ghettos. And here at home, the American people will rightly celebrate the hope of renewal brought on by a peaceful transition of leadership and will drink in the promise and reality of "change," superficial though it may be.

But while Michelle and her stunning inaugural gown will grace the cover of *Us* magazine, and while Barack himself will climb the bi-weekly ladder from *Time's* "Man of the Year" to *People's* "Sexiest Man Alive," the Obamas themselves will remain somewhat distant from the down-and-dirty of Washington, with Barack addressing the most pressing needs on the political agenda, but generally preferring caution over haste and detachment over involvement.

Why would the triumphant Obama – the man who will stop the seas from rising, provide health care to every man, woman, and child, and heal the planet – want to abandon his glorious reformation and opt instead to do nothing, or almost nothing? That's a good question. But a better one is, "why wouldn't he?"

What exactly does Obama have to gain by working with the Congress and leading the Democratic Party to remake the nation and reform the country's policy preferences?

As things stand today, Barack Obama is exceptionally popular and surprisingly well respected, even by Republicans and other McCain voters. According to some polls, the public's confidence in his leadership abilities is almost as high today as it was in George Bush's in the aftermath of 9/11.

Contrast that, for example, with the public opinion of the rest of the Democrats in Washington, known collectively as "Congress." If Obama were quickly to lose twenty or thirty points off of his approval numbers, they'd still be somewhere in the neighborhood of two-to-four times higher than those of the Democrat-controlled Congress.

What on earth could the President-elect possibly hope to gain by associating himself in the public's collective mind with the likes of Nancy Pelosi, Harry Reid, Barney Frank, Charlie Rangel, and Chris Dodd, just to name a few? Pelosi is universally reviled by nearly everyone, everywhere along the political spectrum; despised by the right, accused of betrayal by the left. Frank, Rangel, and Dodd, are the poster boys for the new Democratic version of the "culture of corruption." And as for, Harry Reid, what can we possibly say? This guy is a walking disaster. Seriously, outside of RNC-chairman-wannabe Chip Saltsman, is there anybody else in politics today dumb enough to be caught telling disgraced Illinois Governor Rod Blagojevich that he'd seat any Senator the Governor wanted to appoint – unless he happens to be a black guy?

We'll come back to Congress momentarily, but in the meantime, here's David Kahane's take on his fellow partisans. Think about two things as you read this. First Kahane is a writer in Hollywood who covers politics under a "cyber alias," for obvious reasons, given his profession. Second, if you were the Democratic President, would you want to be associated with this group?

Barack Hussein Obama II hasn't even been inaugurated yet and he's already been interviewed by federal prosecutors in the ongoing Blago mess; he's seen Bill

Richardson immolate himself rather than stand the federal grand-jury scrutiny that would have come with his appointment as Commerce Secretary; his boy Rahm Emanuel is both *en pointe*, having resigned the House seat that was previously warmed by Hot Rod [Blagojevich] and Dan Rostenkowski, and, apparently, on Patrick Fitzgerald's tapes too; and he's facing the prospect of the Senate Majority Leader, Harry Reid, standing like a homunculus George Wallace in the schoolhouse door, ready to deny entrance to a black man when Roland "We Are the Senator" Burriss tries to take Bambi's hardly-even-used seat tomorrow . . .

We are the party . . . of the Clintons and their amazing alchemistic Library, which turns Saudi dross into altruistic gold; the party of Tony Rezko and Norman Hsu; the party of vaporizing fundraisers, absconding bagmen and sitting New Mexico governors (and a recent presidential "candidate") currently under federal investigation for allegedly steering a state contract in the direction of one of his big backers, David Rubin of CDR Financial Products in Beverly Hills. Now comes word that Hillary Clinton, the secretary of state-designate, Congress and the Emoluments Clause willing, got millions of dollars for a mall in Syracuse shortly after the developer coughed up a hundred grand for the Bill Clinton "Foundation." That's what I call commerce!

We are also the party of Charlie Rangel, the chairman of the House Ways and Means Committee, who's currently under "investigation" by the House "Ethics" Committee for a myriad of dubious practices, including using campaign contributions to pay his parking tickets.

Best of all, we are the party of the ineffable Christopher Dodd (D., Countrywide), another recent "presidential candidate" who in appearance and demeanor is a throwback to the great days of Tammany mugs. It was Dodd, the chairman of the Senate Banking Committee, who got a sweetheart mortgage deal as a "Friend of Angelo" Mozilo, the disgraced former head of Countrywide Financial; Dodd who steadfastly denied that Fannie Mae and Freddie Mac were in trouble — perhaps his status as the No. 1 recipient of their campaign largesse had something to do with his unshakeable faith in them; and Dodd who has promised to release the paperwork concerning his hinky mortgages but, of course, hasn't.

Yeesh, to put it mildly. Who would want to be part of that? Not Obama, as best we can tell.

Even so, his fellow partisans' manifest idiocy is hardly the only reason to expect President Obama to remain distant from his party. The truth is that Obama would probably not be terribly interested in allowing any of his political mojo to be sapped by his fellow Democrats, even if they weren't the second most incompetent gaggle of legislators this town has seen in a long time. (Their Republican counterparts being the first, naturally.) Obama appears to believe that he and his presidency are not merely historic, but transcendent. He is, in a sense, beyond mere politics, especially partisan politics. The incomparable Michael Barone recently explained it thusly:

Barack Obama and his family are vacationing in his native Hawaii, far from the wintry snows of Chicago — and far from almost every other American politician. There's a metaphor here for how I think Obama is going to conduct himself as president: He's going to try to keep his distance from other politicians,

including his fellow Democrats. I see him trying to remain aloof from his party, much as Dwight Eisenhower did five decades ago. Like Eisenhower, I think he's drawn the conclusion that his party needs him more than he needs his party.

We don't think we have to tell you that we're a little nervous about the next four years and view Obama with a certain amount of trepidation. But we'll give credit where it's due. The guy is anything but stupid. And thus far, he's managed his transition beautifully, making it clear that he knows he has no real natural constituency and thus feels beholden to no one. He's run the transition on his own terms and has assembled a cabinet diverse enough to make everybody unhappy, all the while appearing to care less what any one thinks about it. This attitude can and likely will change at some point, but not immediately. For a while at least, he's going to do only what he wants to do and only what he feels benefits him and the long-term goal of his first term, namely to get a second term.

Does this mean that he's going to do nothing at all or that conservatives should feel comfortable with him? No, and no. But the fears about him coming in and "remaking" society are, we think, overblown. Part of this is likely the realization of just how truly impossible this job is. Part of it is the handcuffs the current domestic scene and economic mess place upon him. And part of it is the desire not to repeat the mistakes of his predecessors, namely Bill Clinton and Jimmy Carter, who got too aggressive in their first year in office, and thus enabled the birth of the Gingrich and Reagan revolutions, respectively.

What we think we are likely to see from the Obama administration over the next year is a pretty short list of "must do" items, all of which are likely to generate broad political consensus. For starters, a stimulus bill is a virtual certainty. But some of the other, more polarizing pieces of legislation, once taken for granted by the left wing of the Democratic Party, are likely to die a quiet, though surprising death. Union "card check" legislation? Maybe, but hardly a gimme. The

Freedom of Choice Act, which would overrule all local and state restrictions on abortion? We doubt it. Revival of the Fairness Doctrine? Highly unlikely. Comprehensive immigration reform? Nope. The long-promised massive tax increase on the rich? Are you joking? Obama's talking tax cuts right now. And we doubt seriously whether he will mention tax increases again until it is time to write our 2010 forecasts, if even then.

There is no question that the programs, policies, regulations, and administrative orders that the Obama team will promulgate and advocate will be statist and will move the country in a leftward direction. But come on. Who are we kidding? George Bush, for all his admirable characteristics, is a statist and has moved the country in a leftward direction. Leftist stereotyping notwithstanding, Bush is/was the biggest and most prolific regulator since Nixon. And John McCain would almost certainly have brought more of the same. Obama will certainly push farther and faster, but at least conservatives get to complain without having either to throw their own guy under the bus or contort themselves ridiculously to defend the massive and irreversible expansion of the administrative state.

Obama is a liberal, a progressive, a leftist, and a host of other synonyms. And he is technically a Democrat. In practice, however, he represents the Party of Obama and will do whatever he deems is in that party's best interests. Next year, the year after, the year after that, maybe he will become a mean, aggressive, activist, liberal leader and propose radical, transformative programs and plans. But not this year. This year Obama is going to get comfortable. He's going to let the leaders in Congress bicker and battle. He's going to rise above it himself. Or at least that's what we think he's going to try to do. He may not be successful, of course. But he's going to try.

We don't want to get all tingly-legged about the guy, but one thing that we can say for certain about Obama is that he has mastered the art of appearing calm during the storm, a characteristic that most people equate with leadership. This doesn't mean he will actually be a great leader. In fact, we expect the

opposite; that he will not do much of anything, much less lead. Still, most voters, including the so-called conservatives who endorsed Obama because they desperately want to be “governed,” will find Obama’s demeanor comforting. And to be honest, given the alternatives, we hope to be somewhat comforted as well.

*Forecast #2: The Democrats on Capitol Hill will continue to be ineffective, despite their increased majorities, and will continue to appear shrill and excessively partisan.*

As noted above, Nancy Pelosi is, at best, a mixed bag as a Speaker. In some ways, she reminds us of Newt, though without the intelligence, the capacity for strategy, and the charm (how’s that for backhanded?). She somehow manages to get her own caucus to hang together on most issues, despite an incredible breadth of ideological sentiment among Democratic members, and must thus be considered effective, at least on a certain level. But at the same time, she is the perfect foil for the opposition. She is nastily partisan and politically tone deaf. And given that, on the big, high-profile issues, she’s been a disaster, at least for her party. We kind of like the gridlock that she’s facilitated, but then we’re not of her Party.

Much has been made since the election in November of the President-elect’s choice of fellow Chicagoan Rahm Emanuel as his chief of staff. Emanuel, we are told, is a brilliant selection. He’s a fighter, a scrapper with both executive experience (in the Clinton White House) and experience in Congressional, where he was a part of his party’s leadership contingent. He is therefore the perfect go-between for Obama and Pelosi, a bulldog who just so happens to be a practiced veteran with cordial relationships on both ends of Pennsylvania Avenue.

Except that his relations at the Congressional end of Pennsylvania Avenue are not all that cordial. Yes, Emanuel was part of the House leadership. But he played a minor part, a part given to the man who had orchestrated the Democrats’ return to the majority and who was rightly viewed as a threat by the woman he made Speaker. If we were Nancy Pelosi, we’d be a little chapped at the idea of Emanuel being Obama’s

gatekeeper. He is a bulldog, no doubt. And he’s fiercely loyal. But that’s personal not partisan, as Pelosi is likely to find out.

As for the Senate, we think we’ve said all that needs to be said. Harry Reid will, yet again, prove to be the most ineffective Majority Leader since Bob Dole. Even with a near-filibuster-proof majority, he’ll still be stymied far more often than would seem likely.

Which brings us to . . .

*Forecast #3: Senate Minority Leader Mitch McConnell will emerge as a major and highly effective player in Washington.*

Strange as it may seem, Mitch McConnell is now the *de facto* leader of the Republican Party. It doesn’t matter that the overwhelming majority of Republicans have never heard of him. He’s it. And good for the Republicans. McConnell will be the most effective *minority* leader since Bob Dole.

We’ve said it before and we’re sure to say it again: Republicans are much better as the minority party than they are as the majority one. Trying to manage the inevitable and inescapable growth of the behemoth is a difficult job, particularly for a party ostensibly dedicated to stopping or at least slowing its growth. It’s been exactly twenty years now since Reagan left office and twenty years since any Republican was able to reconcile a personal abhorrence of big government and the political inevitability of big government. Newt couldn’t do it. Bob Dole couldn’t do it. George W. Bush didn’t even try. Republicans are much better off, in terms of ideological consistency, and much more successful when they can just stand athwart history (or the Democratic party, as the case may be) and yell STOP!

Enter McConnell. Whether anyone realizes it or not, McConnell has been the GOP’s MVP in each of the last two years, playing defense remarkably well, not just against the Congressional majority but, quite often, against his party’s president as well. Now, he will be relieved of the latter chore. And while some may think that it will be infinitely harder for him, having

lost even more seats to Reid and the Democrats, we're not all that certain. The Senate GOP is now a little like The Political Forum's subscription list: all the dead wood has been whittled away, and we're left with only the true believers. And that allays some of the need to be overly delicate, something that neither we nor McConnell are terribly good at anyway.

Perhaps the most interesting thing about McConnell's strategy of recalcitrance is that he and it will be rather clandestinely celebrated by the White House. The more he can stop the Reids and Pelosis on his own, the less often the administration will have to do it. It would not surprise us to learn that Obama and his team have been privately and unofficially supportive of McConnell and will continue to be so.

*Forecast #4: Democratic corruption will continue to be a major story, but only for those of us who care about corruption. The mainstream press, for its part, will continue to snooze.*

Chris Dodd, Charlie Rangel, Bill Richardson, Bill and Hillary Clinton, etc., etc., *ad infinitum*. No one cares. Well, almost no one. Unless or until there's a little sex, drugs, or rock and roll involved, these scandals – far more important and potentially destructive than your usual extra-marital tryst – will continue to occupy us, you, a handful of good-government types, and no one else.

Between TARP and the coming stimulus package or packages, the amount of money out there to steal will increase considerably. And we expect that the amount of theft will increase concomitantly. But this is the kind of scandal that does not lend itself to headlines and that will not produce visible damage to the moral and financial fiber of the country for some years.

In a sane world, the Senate would actually consider the manifest conflicts of interest and potential scandals surrounding Hillary and Bill Clinton before consenting to her move to the State Department. But in a sane world, a woman as corrupt as Hillary with a husband as corrupt as Bill would have been deemed unfit for the Senate, much less for the White House. Washington, sadly, is hopelessly and irredeemably disconnected from sanity. And no one seems to care.

*Forecast #5: The off-year elections in New Jersey and Virginia will tell us absolutely nothing about the state of play for 2010, but will be both interesting and depressing.*

Prognosticators and pollsters alike will get a kick out of watching the off-year races for the governorships of New Jersey and Virginia, hoping to find a trend that can be extrapolated into a forecast for the following year's Congressional mid-term elections. Sometimes the races in Virginia and New Jersey offer such a glimpse (e.g. 1993, 2005), but just as often, they offer nothing useful. All politics is local, after all. And this year will likely be no different, which is to say that the results in New Jersey and Virginia will be an omen of things to come. Or they won't. How should we know?

What we do know is that the two contests will be far more interesting than they have been of late. Virginia's race, in fact, may be kind of fun.

Now, to anyone who has paid even the slightest attention to Virginia over the last couple of decades, that might appear just as counter-intuitive as our first prediction. Virginia? Gubernatorial race? Fun? Those words simply don't belong in the same sentence. The last three governors of the great Commonwealth – current Governor Tim Kaine, current Senator Mark Warner, and Warner's opponent last November Jim Gilmore – are among the least interesting and least “fun” men in American politics. Each is a fine politician in his own right. But all are as dull as they come.

But Virginia's reputation for dull is about to change. This coming Wednesday, January 7, Clinton bagman, union thug, Michael Moore-loving former DNC Chairman, and Global Crossing multi-millionaire Terry McAuliffe will officially announce his candidacy for Governor of Virginia. Talk about fun. For starters, McAuliffe is one of the nation's most patently corrupt political players of the last decade or so. He has had his sticky little fingers in more scandals than almost anyone, anywhere, having been involved in everything from the Clinton fundraising scandals and the fraudulent Teamsters presidential election to the Global Crossing fraud and collapse and the shady

financing of the Clintons' home in Chappaqua, which enabled Hillary to run for the Senate from a state in which she'd never lived.

Additionally, and compounding the fun, McAuliffe is also, as we've noted many times before, one of the most politically tone-deaf political players around. Recall that it was he, as Democratic party chairman, who proudly led his fellow partisans to the Washington, DC premier of Michael Moore's anti-Bush screed "Fahrenheit 9/11," an event that confirmed for many Americans that the McAuliffe-led party was completely unserious about terrorism and the war against it, thereby helping guarantee George Bush's reelection.

We don't care whom the GOP nominates. We only hope that the Democrats nominate McAuliffe. Of course, the way things have been going, they probably won't, thereby rendering our fun short-lived.

Meanwhile, in the swamps of New Jersey, the election will be equally interesting, but, we fear, monumentally depressing. Now we are certain that many of you don't need us to tell you this, but New Jersey is a disaster, a basket-case second only to California in its complete and utter political and economic collapse. Taxes are high. Job growth is a highly unrealistic possibility anytime in the near future. And corruption, as always, is the name of the game. Current Governor Jon Corzine is responsible, at least in part, for a great deal of this. He's raised taxes, beaten down the local economy, and played his own games with legal and ethical rules. And he is quite likely to be re-elected.

Corzine's re-election would, we believe, confirm two very depressing trends in American politics. First, it would confirm the indissoluble partisanship of voters today. New Jersey is overwhelmingly Democratic. And it appears that most Democrats will vote for the guy with the (D) after his name, even if he is a

demonstrably terrible politician. The same holds true for the GOP, of course, as Alaskans very nearly proved this fall when they very nearly reelected convicted felon Ted Stevens, who was, on election day, awaiting sentencing. That's pathetic. It really is. And it hardly bodes well for the future of American "democracy."

Second, and more important, the reason that Corzine has an excellent shot at reelection is because there is precious little that is out of reach of Goldman Sachs. Corzine, of course, is the former Chairman and CEO of Goldman. And he's loaded with Goldman earned money. And like his fellow Goldman alumnae, current Treasury Secretary Hank Paulson and former Treasury Secretary Bob Rubin, there is nothing that he can't do or buy with his Goldman cash and Goldman connections. We hate to sound conspiratorial, but we'd also hate to give the impression that there isn't a real phenomenon at work here.

Wonder where the TARP money went? We do to. But Helicopter Hank, as our friend Ed Yardeni calls him, is not telling. All we can say for sure is that two of Goldman's competitors – Bear Stearns and Lehman Brothers – were the victims in the Treasury debacle that was 2008. We can also say for sure that Bob Rubin's current firm, Citigroup, was the lucky recipient of a federal bailout, courtesy of Helicopter Hank. Cozy, huh?

In any case, Corzine will buy the governorship back and no one will much care – not even the majority of voters in New Jersey. Talk about depressing.

And so there you have it boys and girls: our predictions for domestic politics 2009 – the good, the bad, and the crooked. Take them for what they're worth – whatever that is. Expect some surprises, and always remember: you read it here first. Even if you didn't.

Copyright 2009. The Political Forum. 8563 Senedo Road, Mt. Jackson, Virginia 22842, tel. 540-477-9762, fax 540-477-3359. All rights reserved.

Information contained herein is based on data obtained from recognized services, issuer reports or communications, or other sources believed to be reliable. However, such information has not been verified by us, and we do not make any representations as to its accuracy or completeness, and we are not responsible for typographical errors. Any statements nonfactual in nature constitute only current opinions which are subject to change without notice.