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THEY SAID IT

I know you write this with the best intentions, and I'll give you a straight answer. Do you really think that the whole theological order is disturbed if anything is said against foolish or bad theologians who don't deserve the name? If that were the prevailing law, no one would say a word against criminal men without making the entire human race his enemy. Has any king had the presumption to deny that there have been several bad kings who were unworthy of their position? Or any bishop been too arrogant to admit the same about his own order? Are the theologians the only order to have amongst their large numbers no one who is stupid, ignorant or quarrelsome? Do we find they are all Pauls, Basils or Jeromes? On the contrary, the more eminent a profession, the fewer people in it can answer to the name. You'll find more good skippers than good princes, more good doctors than good bishops. That is no reproach to an order, but rather a tribute to the few who have conducted themselves nobly in the noblest of orders.

Desiderius Erasmus, "Letter to Maarten Van Dorp," 1515.

THE IMPERFECT STORM.

Someone needs to say this, so here goes. This guy in the White House is, to borrow a line from a famous Stevie Smith poem, not waving but drowning. He needs help, and he needs it fast. He needs a Karl Rove, a Dick Morris, a James Baker, a Howard Baker, or some shaman-like gray beard in the mold of Obi-Wan Kenobi, who can teach him the ways of the world, in a hurry. We are not going to try to defend this assertion. As an old advertisement for the *Washington Post* used to say, "If you don't get, you don't get it."

But between the terribly sloppy vetting mistakes, the ill-timed and ill-considered trip to the Capitol Hill to talk to Republicans without knowing in advance if he was going to get egg on his face, his unbelievably puerile and lickspittle interview with al-Arabiya in which he pledged to "restore" the "same respect and partnership that America had with the Muslim world as recently as 20 or 30 years ago," and the pitiful manner in which the White House has handled the stimulus bill would lead any reasonable person to worry about what in the world is coming next.

Relative to the domestic situation, it is nice to talk about bi-partisan cooperation. But bipartisanship is derivative of the ability of one side to do harm to the other. It's a highly valuable political commodity and is not given by one side to the other in exchange for soothing words, or even kindness. It is demanded by one side of the other in exchange for not being crushed in a political confrontation. Bipartisan cooperation is the

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political equivalent of the military expression, “You get them by the gonads and their hearts and minds will follow.” And Barack is rapidly losing his grip.

Where, one wonders, was White House Chief of Staff Rahm Emanuel, when someone needed to tell Barack that Nancy Pelosi is a pork addled ding-a-ling and should not be allowed a free hand to lead the bailout bill through the House?

Where was this political wunderkind, whose most recent known advice to his boss was the sophomoric banality to “never let a good crisis go to waste,” when someone needed to tell Barack what Charles Krauthammer pointed out in a recent column after it was too late to save Americans the embarrassment and the danger of having the world know that it is being led by a naïf who is ignorant of both history and the art of diplomacy. To wit:

In these most recent 20 years – the alleged winter of our disrespect of the Islamic world – America did not just respect Muslims, it bled for them. It engaged in five military campaigns, every one of which involved – and resulted in – the liberation of a Muslim people: Bosnia, Kosovo, Kuwait, Afghanistan and Iraq.

The two Balkan interventions – as well as the failed 1992-93 Somalia intervention to feed starving African Muslims (43 Americans were killed) – were humanitarian exercises of the highest order, there being no significant U.S. strategic interest at stake. In these 20 years, this nation has done more for suffering and oppressed Muslims than any nation, Muslim or non-Muslim, anywhere on Earth. Why are we apologizing?

And what of that happy U.S.-Muslim relationship that Obama imagines existed “as recently as 20 or 30 years ago” that he has now come to restore? Thirty years ago, 1979, saw the greatest U.S.-Muslim rupture

in our 233-year history: Iran’s radical Islamic revolution, the seizure of the U.S. Embassy, the 14 months of America held hostage.

Which came just a few years after the Arab oil embargo that sent the United States into a long and punishing recession. Which, in turn, was preceded by the kidnapping and cold-blooded execution by Arab terrorists of the U.S. ambassador in Sudan and his chargé d’affaires. This is to say nothing of the Marine barracks massacre of 1983, and the innumerable attacks on U.S. embassies and installations around the world during what Obama now characterizes as the halcyon days of U.S.-Islamic relations.

Now, believe what you want, but this is not intended as a personal attack on Barack Obama. It is our assessment of his performance as president so far, offered in the spirit of Erasmus’ famous letter to Dorp, as quoted above, in which he noted that qualitative variances are particularly inevitable in the ranks of those who serve in “eminent professions” and it does an injustice to those who perform especially well to pretend that excellence is the norm.

Truth be told, we are somewhat pleased with Barack’s ineptness. You see, a real pro in the White House, with a 70%-plus approval rating and a opposition party practically on its death bed would have had a good shot at a \$1-trillion-plus stimulus plan, a new national health insurance law in the fist hundred days, and full battlefield dominance for a long time thereafter. As it is, he is quickly losing support both within his own party and among the public, and is single-handedly breathing new life into the recently near comatose GOP.

Barack’s best hope of selling his agenda was to hit fast and hard, a blitzkrieg attack against a weak enemy in the opening days of his presidency, while a majority of Americans still held him in high esteem and before they could come to realize how extreme some of his proposals are.

The nightmare scenario for this new president is to have to carry his extremist agenda into an extended, slug-it-out, trench warfare-type of battle, against a rejuvenated enemy that has absolutely nothing to lose, during a period in which the public grows more and more cynical about government every day.

In short, there is a modicum of good news here. For starters, given the extreme liberal tilt to the Obama agenda, gridlock would, in many, many cases, be a blessing. The possibility of keeping the entire health care system from being nationalized comes to mind, as does the death or diminishment of a variety of his proposals to pour billions of dollars into bottomless pits of non-productive research on and impractical “solutions” to problems that are either non-existent or better handled outside the purview of government.

The revitalization of the Republican Party is a plus also, even though it is far too soon to predict that this will lead to resurgence in conservatism, or even a small feint to the right. Moreover, one can hope that this little time of trouble might have provided our young president with a small taste of humility, which, as Aristotle noted, is the first step in gaining wisdom.

The bad news is that the global economy is troubled, the dogs of war are yelping, and the United States, the last great hope of the free world, is in the hands of a young man whose first few weeks on the job have been less than reassuring.

It is far too soon to count him out, or to lose hope. But it's not too soon for prudent people to begin thinking about the possibility and consequences of a troubled presidency, marked by severe, long-term, partisan gridlock on Capitol Hill, further declines in public confidence in government, and one or more unfriendly foreign leaders (yes Virginia, there are unfriendly foreign leaders) deciding to pull the President's beard, not as a “test,” mind you, but as a confident reaction to a belief, mistaken or not, that this man is in over his head.

BARACK OBAMA AND THE NEW “NEW DEAL.”

Mark this date down: Monday, February 9, 2009.

It may well be an historic day in the presidency of Barack Obama. This afternoon, the full Senate will, according to all reports, vote on its modified version of the President's much-ballyhooed “stimulus” bill. For Obama's sake, for the sake of his presidency, he had better hope that the vote fails.

Seriously.

We know this sounds a bit premature, given that Obama's been in office just under three weeks. And we also know that presidential ducks aren't usually crippled and left lame until well into their last term in office. But if the Senate vote passes, and if the House and the Senate are able to reconcile their conflicting bills in conference, and if the President then signs the bill, it is quite possible that his presidency will be as good as over, even before the unofficial honeymoon is done.

Now, you'll note, for the record, that we've hedged ourselves a bit here, using typical hedge words like “quite possible.” This, naturally, is an acknowledgement of the fact that for the Obama's presidency to be really over or as “troubled” as we suggest in today's first piece, the GOP would actually have to prove itself to be an effective opposition party. And that is anything but a given. Indeed, after three weeks, it is clear that Obama's most important and valuable political attribute remains his opposition. The “new” GOP has been better than we expected it to be, but it is one thing to exceed expectations and another to win plaudits.

In any case, President Obama may think that this stimulus bill is a wonderful thing. He may believe in his heart of hearts that it is precisely what the country needs at this point. He may, in fact, know – down to the very fiber of his being – that this stimulus plan is the only means by which the nation can avoid the economic “catastrophe” of which he warned in his much-discussed, stimulus speech last week. But the American people don't seem to agree. As of late last

week, polls were showing support for the stimulus bill cratering, falling well below 40%, down considerably over just a week. As countless columnists, analysts, prognosticators, and pundits noted, Obama was losing, or perhaps had already lost, the debate over the bill.

And it is no wonder. The bill is not particularly easy to defend. It's a pork-laden mess, designed almost overtly to cater to and support parochial partisan constituencies. It lacks any real economic underpinnings. Indeed, any economic principles it incorporates are based on cursory deference to unproven ideas at best. It actually panders to the economically and historically ignorant, repeating many of the same mistakes made during the early days of the Great Depression. And, in the final analysis, it amounts to little more than a sop to friends and allies, with a smattering of economic "relief" thrown in to keep the masses placated. It is no wonder, then, that Harvard economist Robert Barro called it "probably the worst bill that has been put forward since the 1930s." Barro continued:

I don't know what to say. I mean it's wasting a tremendous amount of money. It has some simplistic theory that I don't think will work, so I don't think the expenditure stuff is going to have the intended effect. I don't think it will expand the economy. And the tax cutting isn't really geared toward incentives. It's not really geared to lowering tax rates; it's more along the lines of throwing money at people. On both sides, I think it's garbage.

Barro is not, of course, the only well known and highly respected critic of the stimulus. In fact, he's not even the only Harvard economist to rail against the bill written by Speaker of the House Nancy Pelosi, expanded and modified by Senate Majority Leader Harry Reid, and demagogued by President Barack Obama. Greg Mankiw, for one, worries about the protectionist passages in the stimulus bill.

The bill, as passed by the House, is a technical violation of American responsibilities under various free-trade agreements, in that it mandates that

infrastructure projects funded by the stimulus use American steel and iron exclusively. Meanwhile, the Senate agreement reached this weekend, while more flexible than the House version, actually goes one step further, requiring the use of American-made manufactured products as well.

And while all of this certainly is to the liking of Obama's allies in the AFL-CIO and various other unions, it has the rest of the world in a bit of a tizzy. Canadian Ambassador Michael Wilson warned last week that the provision would lead to "a rush of protectionist actions." Brazilian President Lula de Silva cautioned that "protectionism at this moment will aggravate the crisis." And John Bruton, the European Commission's ambassador to Washington, advised lawmakers that the "Buy American" provision in the stimulus bill "risks entering into a spiral of protectionist measures around the globe that can only hurt our economies further."

For his part, Mankiw, a onetime economics advisor to President George W. Bush, worries both about the Congressional Democrats' legislative priorities and about the Obama administration's rhetoric, particularly its reliance on such terms as "fair trade." Cutting to the heart of the matter, Mankiw writes:

This may be a good time to recall the legacy of Senator Reed Smoot of Utah and Representative Willis Hawley of Oregon, both Republicans. The 1930 tariff bill that bears their name did not cause the Great Depression, but it contributed to a plunge in world trade and undoubtedly was a step in the wrong direction.

As we sort through the wreckage of our own financial crisis, a retreat into economic isolationism is one mistake we want to be sure not to repeat.

For months now, we've been told that this economic crisis is bad – very, very bad – but that it is nowhere near as bad as was the Great Depression, referenced above by Mankiw. It's important to remember,

though, that the Depression wasn't always as bad as the Great Depression. In order for the Depression to become the Great Depression, arrogant and ignorant politicians had to compound the initial market collapse, turning a bad situation into a "catastrophe," to borrow a word from President Obama. So it's not as if such catastrophes aren't possible any longer.

In addition to the Harvard economics folks cited above, many market analysts are also troubled about the new president's apparent willingness to repeat the mistakes of the past. Our good friend Ed Yardeni, for starters, worries this morning about the Obama-led reversion to Keynesianism. He put it like this:

I can't think of a more tired old theory than the Keynesian notion that \$1 of additional government spending will generate \$1.5 of real GDP. This "multiplier effect" is taught in every introductory macroeconomic textbook. Yet, it is both theoretically and empirically questionable.

Interestingly, compared to Peter Schiff, the President of Euro Pacific Capital, Yardeni is remarkably measured in his criticism and relatively flattering of Obama. Schiff, who was an early and adamant doomsayer regarding the housing bubble and credit markets, has lamented the fact that Obama appears to be following in the footsteps of Roosevelt – and he doesn't mean that as a compliment. Schiff warned that the passage of this bill would be an "unmitigated disaster." And given what we know about the overspending, pork-barrel giveaways, the dubious economics, the political payoffs, and the potential for corruption, all tossed together in the name of "stimulus" and catastrophe-avoidance, we'd find it hard to argue with him.

All presidents have their critics, of course. And all presidents push unpopular legislation at times. But it seems to us that Obama has a couple of unique problems that amplify the potential damage that a bad stimulus bill could do to his presidency.

First, and perhaps foremost, Obama has an expectations problem. Like it or not, he sold himself as a redeemer, as the guy who would cause the seas to recede and provide good jobs and good healthcare to all Americans. It may be unfair to judge a mere man by such supernatural standards. But they are the standards *he* set, based on the promises *he* made. All of which is to say that the American public expects results and soon. Even if the Peter Schiffs of the world are wrong and Obama manages to avoid unmitigated economic disaster, he will not necessarily be able to avoid political disaster. The stimulus can't simply be "not bad." It has to be good. It has to be, well, stimulating. It has to produce jobs and growth and shiny, happy, smiling faces. That's what he promised. And that's what many still expect. And anything short of that will hurt him.

The second problem that Obama has is that he and his allies are not the exclusive source of information about this bill. Indeed, they may not even be the most important source of information. The mainstream press will carry water for the new President for many, many months, possibly years. And even when it turns on him, it will do so slowly and with less maliciousness than they reserve for his political opponents. But the mainstream press is a rapidly dying beast. The rise of alternative media – from Rush Limbaugh to Fox News, from *The Washington Times* to the editorial board of *The Wall Street Journal*, from The Drudge Report to various blogs – has eradicated the mainstream's monopoly on information. And this will cause problems for Obama.

Back in 1933 – or even in 1993 – the new president could say or do just about anything he wished and sound as if he were the only voice of authority. Obama himself has tried this too, declaring that he should get what he wants because "he won." But it doesn't work that way anymore. Any Tom, Dick, or Mary with a computer can pop open the *Wall Street Journal* or *The Times* of London and read why the nonsense spewing forth from the Speaker's office or from the White House press secretary is just that, nonsense. Heck, Greg Mankiw has his own blog site (<http://gregmankiw.blogspot.com>), where anyone can

go to read about the wonders of economics, including such tidbits as Keynes' concession that infrastructure projects were anything but stimulative and his admission of a preference for using the payroll tax as a "countercyclical policy instrument."

And this brings us to a final corollary of the information question. Unlike the previous attempts to expand the state wildly, this attempt will be met by a fully formed, mature, and reputable intellectual school that posits that such expansion is not merely dangerous but fruitless as well. The left insists that "supply side" and free-market capitalism are dead, slaughtered by none other than George Bush. But the left is as hyperbolic as it is confused on this matter. Sure, Bush cut taxes, but he was no more a supply-sider or a free-marketeer than he was a conservative. He occasionally made use of the rhetoric and some limited measures, but Bush could no more fully discredit supply-side economics than Bill Clinton could fully discredit Marxist economics.

The fact of the matter is that today, it is widely recognized within the field of economics that incentives matter, which is to say that Keynes' "multiplier effect" is hardly the only, much less most important factor in figuring the efficacy of specific fiscal policies. Indeed, even Christina Romer, President Obama's nominee for Chairman of the Council of Economic Advisors, has done extensive time-series research that shows that tax policy affects

behavior and therefore affects economic growth. All through last fall's bailouts, the left joyfully and the right woefully echoed Nixon's line that "we're all Keynesians now." But that's not really the case. And while it would be a spectacular exaggeration to claim the opposite, that we're all supply-siders now, the fact is that the supply side argument that incentives matter is, today, largely undeniable, even by Obama's advisors.

Many Democrats and a handful of worry-wart Republicans have argued that President Obama needs to implement a New "New Deal," that he must rework the American system to reduce risks and increase the safety net. Obama himself has refrained from such language, but he may not be able to escape such a label. By his own declaration, he has made this stimulus bill the most important piece of legislation in some time, insisting that it is the only thing that stands between the Americana people and "catastrophe." He owns this bill, and, should it pass, it will be his legacy, every bit as much as the New Deal was FDR's. You can't spend a trillion dollars in the hope of averting catastrophe without being tied to the outcome of that spending.

Our guess is that this New "New Deal" will, be no more effective than was the last one, only this time, people will know it. And they will know that Obama is the man responsible.

Good luck with that, Mr. President.

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