

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

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

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**THEY SAID IT**

I know, of course, being President, that government actions and legislation can be very important. That's why I've worked hard to put my campaign promises into law – and I have to admit, with just mixed success. But after listening to the American people I have been reminded again that all the legislation in the world can't fix what's wrong with America. So, I want to speak to you first tonight about a subject even more serious than energy or inflation. I want to talk to you right now about a fundamental threat to American democracy.

I do not mean our political and civil liberties. They will endure. And I do not refer to the outward strength of America, a nation that is at peace tonight everywhere in the world, with unmatched economic power and military might.

The threat is nearly invisible in ordinary ways. It is a crisis of confidence. It is a crisis that strikes at the very heart and soul and spirit of our national will. We can see this crisis in the growing doubt about the meaning of our own lives and in the loss of a unity of purpose for our Nation.

The erosion of our confidence in the future is threatening to destroy the social and the political fabric of America.

President Jimmy Carter, Address to the Nation, July 15, 1979.

**MALAISE, THY NAME IS BARACK.**

This Wednesday, July 15, marks the 30<sup>th</sup> anniversary of what has become known throughout the political world as “the malaise speech.” Although the word “malaise” never actually appeared in the address, its theme was the American “crisis of confidence” and its speaker, Jimmy Carter, was both dispirited and dispiriting.

Carter had entered the White House two-and-a-half years earlier, full of promise, hope, and revolutionary vigor. But a combination of enduring economic woes, feeble and foolish foreign policy, political naiveté, and crushing arrogance had turned the once fervent reformer into the virtual personification of the word “malaise.” And for some unknown reason, his handlers didn't stop him from sharing this with the country.

“The symptoms of this crisis of the American spirit are all around us,” Carter intoned that fateful night. “For the first time in the history of our country, a majority of our people believe that the next five years will be worse than the past five years. Two-thirds of our people do not even vote. The productivity of American workers is actually dropping, and the willingness of Americans to save for the future has fallen below that of all other people in the Western world.”

Most political analysts tend to agree that, all things considered, this speech marked the end of the Carter presidency. The remaining 18 months were a mere formality. Given the real and sustained polarization and political turmoil extant in the country at the time, its president simply could not be so ineffective, so melancholy, so completely and utterly trivializing about his nation's potential and hope to survive.

The interesting thing about Carter's malaise is that it only became evident in the second half of his presidency, which is to say that for the better part of the 30 months that preceded this doleful address, the "crisis of confidence" in the president and his leadership was less than palpable. Indeed, the midterm elections of 1978 produced only moderate gains for the opposition GOP (15 seats in the House and 3 in the Senate), fully in line with historical averages, and, in truth, quite weak given the beatings Republicans had sustained in the previous two post-Watergate contests. All of which is to say that even Carter, long considered the most hapless and ineffective modern president, was, at the very least, able to maintain a reasonable public profile and measure of confidence well into his term and well into his program of "reform."

One suspects that, looking back years from now, Carter's current successor may wish that he too had held on for that long.

We don't want to get too carried away with the analogy here, if for no other reason than that Barack Obama, unlike Carter, is smart enough never to admit to his own personal crisis of confidence, even if he were to experience one, which, to us, seems highly unlikely. Still, Obama does not appear to be doing terribly well these days. And if he's not careful, he will, almost exactly three decades later, find himself in a new, 21<sup>st</sup> century fit of malaise.

If we are correct about this, if it turns out that Obama's honeymoon is destined to be a mere six months, then he will have no one but himself to blame – or more accurately, himself, his Congressional allies, and his media enablers. You see, people tend,

eventually, to internalize the messages they hear repeated all day, every day. And for at least eight years now, they've heard the message that the United States is up the proverbial polluted creek without a paddle and is taking on water, errr . . . something like that.

This all made sense, prior to November 3, 2008. That's what campaigns against incumbents and/or their party are all about, convincing the country that times are tough and things are bad and only "the One" can save it. Obama did it to Bush. Bush did it to Clinton and Gore. Clinton did it to Bush. Reagan did it to Carter. *Etc., etc. ad infinitum.*

The problem for Obama is that he wasn't content with just winning the White House. He wanted and still wants to change the country, remodel it in his image, force upon it programs and plans that the public rather soundly rejects, at least most of the time. So, in furtherance of this goal, he has spent his entire presidency to date convincing the public that things are worse than he or anyone else had thought possible.

The economy is in the worst slump "since the Great depression." Only immediate action can stave off "catastrophe." Millions of people are suffering and must be helped. The end of the world as we know it is nigh, unless the byproduct of breathing is radically curtailed. Times are tough. In fact, they downright suck.

Who wouldn't be depressed by such a rant, particularly when it's reiterated over and over and over again? By the President of the United States, no less.

Moreover, the feeling of malaise that he is desperately trying to create as a foundation for the "change" he so desires is being compounded by his foreign policy, which is analogous to his domestic policy and amounts, more or less, to: "Sorry world, but Americans stink, and always have." In this, the Iranian near-revolution is instructive.

The Iranian people took to the streets, demanding liberty and political accountability. And instinctively, Obama dredged up Mohammed Mossadeq and the

coup against him in 1953, as if an American president couldn't dare to support those who were rebelling against our most disreputable and dangerous enemy because once, a long time ago, it was possible that Americans too had been less than entirely reputable. This is par for the course with the President. And it is incredibly disheartening.

Fortunately, you don't have to take our word for this. Others agree, and some have done so even more enthusiastically. Take, for example, the case of the historian and classicist Victor Davis Hanson:

With Obama, the charm of last year is slowly wearing off. What once sounded fresh, even cool, is now suddenly predictable and sometimes trite. When we hear "Let me be perfectly clear" and "Make no mistake about it," Americans suspect that some sort of dissimulation may follow: Obama is not going to be perfectly clear, and we will understandably make plenty of mistakes about it.

Disavowals of government intervention presage a takeover of the auto industry. Promises to be fiscally sober indicate reckless deficit spending to follow. "Not raising taxes on anyone but the very wealthy" suggests everyone will have to pay more. "The most ethical administration in history" guarantees plenty of lobbyists and tax dodgers.

We now expect to hear in these speeches that gargantuan, costly new federal programs will in fact magically save us money. We anticipate listening to a string of evil "some," "they," "others," and all the other bad straw men cited to create false enemies and, in turn, fake heroes.

And Hanson is hardly alone. Last week, President Obama's approval numbers crossed into negative territory for the first time in his presidency, meaning that more people now disapprove of his performance

than approve. And even though he personally remains popular, his policies do not. And they are growing ever more unpopular every day, particularly among coveted independent voters and even many Democrats. Ominously for the President and his party, voters are slowly but surely concluding that Republicans – as facile and feeble as they may be – are better suited to handle a majority of crucial policy issues. Pollster Scott Rasmussen has the details:

Voters now trust Republicans more than Democrats on eight out of 10 key electoral issues, including, for the second straight month, the top issue of the economy. They've also narrowed the gap on the remaining two issues, the traditionally Democratic strong suits of health care and education.

The latest Rasmussen Reports national telephone survey finds that voters trust the GOP more on economic issues 46% to 41%, showing little change from the six-point lead the party held last month. This is just the second time in over two years of polling the GOP has held the advantage on economic issues. The parties were close on the issue in May, with the Democrats holding a one-point lead . . .

Most voters (52%) now trust Republicans more on the issue of taxes, also the highest level found in over two years. Only 36% trust Democrats more on taxes. A survey conducted at the end of June found that 39% of voters now expect their taxes to go up under Obama, the highest level of concern measured to date.

On national security, Republicans hold a 49% to 40% lead over Democrats.

And on and on it goes.

All of this is quite remarkable given that less than a year ago, the Republican Party almost disintegrated. It is remarkable as well that these GOP “gains” have come in the absence of both an actual *bona fide* leader and a coherent plan for governance. This is not, in other words, analogous to the Gingrich-Army led assault on the Clinton administration. The GOP today is much the same as it was last November – leaderless, rudderless, and feckless. Yet for some reason, it appears more and more tolerable as an alternative, particularly to independents.

This trend is all but certain to continue and even to accelerate, as President Obama continues to wallow in the muck that is the economy. Mark Penn, who served as the pollster both for the Bill Clinton administration and the Hillary Clinton campaign, explains:

Unless some tough decisions are made soon, rising jobless figures will most likely hit what could be a public opinion and political tripwire: 10 percent unemployment.

Affinity for President Barack Obama doesn't mean much if you've been out of a job since he took office.

Perhaps most ominously for the Obama administration, the job cuts are affecting voters across the board. Adult male unemployment has already hit 10 percent and is affecting most core Democrats – voters at lower income and education levels. African-American men are already out of work at a 14.7 percent clip.

Especially given the administration's earlier commitment to keep unemployment below 8 percent, further grim job numbers will make it more difficult for the administration to push for health care reform and cap-and-trade energy policy.

Does this mean that President Obama is doomed or that the Republicans are sure to make significant gains in 2010 and 2012? Not necessarily. As countless commentators have noted, the Republican field for 2012 is generally pretty weak. And incumbents are, historically, rather difficult to defeat. Additionally, the 2010 map doesn't suggest that GOP supporters should get their hopes up. Mix that with the aforementioned lack of leadership and political coherence, and betting on the GOP today would strike us as foolish.

All of that said, though, conditions could change. The good news for Republicans is that the President's poll troubles couldn't have started at a better time. Candidate recruitment and fundraising for 2010 will begin in earnest after Labor Day, and a weakened president will all but certainly boost GOP efforts on both fronts.

The Strategic Politicians Hypothesis holds that potential candidates will choose to run for office when the opportunity for victory is the greatest. “Strategic” opposition candidates sat out the 2002 midterms, given President Bush's 80+ % approval numbers throughout the previous fall and winter. By the same account, strategic opposition candidates are likely to reverse course and run in 2010, if President Obama's numbers continue to fall.

In any case, the big victory for the GOP is far likelier to be the scuttling of Obama's ambitious and far-reaching agenda. Right now, his plans are in shambles, as the peerless Michael Barone details:

Disarray. That's one word to describe the status of the Obama administration's legislative program as Congress heads into its final four weeks of work before the August recess. A watered-down cap-and-trade bill passed the House narrowly last month, but Sen. Barbara Boxer has decided not to bring up her version in the upper chamber until September.

Senate Finance Chairman Max Baucus, who promised a health care bill last month, still isn't delivering, and neither is the health committee's Christopher Dodd. They're both trying to nibble down cost estimates from the Congressional Budget Office, which has put the price tag at a trillion or more. But their latest ploys – broad-based tax increases, transferring more of the Medicaid burden to the states – sound like sputtering. Meanwhile, Majority Leader Harry Reid says he's taken off the table one approach that has potential bipartisan support -- ending the tax preference for employer-provided insurance.

In the House, there is more chaos. Commerce committee Chairman Henry Waxman has delayed the health care markup he had planned for this week, giving the administration and House leaders a chance to win over balky Blue Dog Democrats. Ways and Means Committee Chairman Charles Rangel is also stymied, and says all he knows about agreements that the White House has struck with various health groups (pharmaceutical companies, hospitals, health maintenance organizations) is what he reads in the papers.

Barone goes on to argue that this “disarray” is, in truth, an attempt by seasoned Washington veterans to help the administration out, to craft its legislation in such a way as not to frighten the already frightened public. Polls show that American voters of all parties are increasingly nervous (or “queasy” as Barone puts it) at the Obama administration's plans, its spending craziness, and its inability thus far to deliver anything tangible as a result of the craziness.

What this means then is that President Obama has three options: He can get to work on selling that which has always been difficult to sell and which

requires a real and serious investment of personal and political capital. He can sit there and hope that the inevitable economic recovery will come in time for him to manipulate it and claim undue credit for it. Or he can accept his fate and hope that he will again be the “lesser of two evils” in 2012.

The latter two courses seem awfully foolish and risky to us. But who knows? As long as he doesn't go on TV and declare that “I realize more than ever that as President I need your help,” we suppose that anything is possible.

At least in theory.

## **THE MARKETPLACE: “I’LL BE AROUND IN THE DARK, I’LL BE EVER’WHERE.”**

It is too soon to tell for certain, but it looks to us as though the second decade of the 21<sup>st</sup> century is likely to be described by future historians as a period when chickens around the world came home to roost. There are far too many flocks of barnyard fowls assembling for homebound flights to discuss this upcoming mass migration in any depth in these pages. But a few examples should convey the idea.

America's European cousins are rapidly approaching the time when they must face the severe consequences of trading in their great cultural and religious heritage for the false comfort of socialism, mixed with the importation of vast numbers of cultural aliens to do their work for them. The Chinese are about to pay a very high price for a decades long practice of Orwellian population control, which included the mass slaughter of millions of female babies. The world of Islam must soon deal with the unfortunate consequences of its failure to employ its vast resources of capital and intellect to prepare a comfortable and useful place in the modern world for its exploding population of young men and women. And then, of course, there are the Americans, who, at the end of the 20<sup>th</sup> century, collectively ruled over an economic, cultural, and military colossus unlike anything the world had ever seen, but whose fiscal mismanagement,

bloated sense of entitlement, and willful ignorance have led them to the brink of bankrupting not only themselves but the entire world.

Obviously, no one can even begin to anticipate the specifics of the forthcoming events. We do know that, for good or bad, we are about to witness a fascinating period of economic disruption and cultural turmoil that will span the globe, as these and dozens of other similar types of long-festering problems reach the stage when they can no longer be ignored. Moreover, we know that the United States is likely to be a disruptive rather than a mollifying force within the action.

You see, despite the apparent confidence of the Obama brain trust that it has a solution to each and every one of the major problems that the United States faces, the fact of the matter is that the time has long passed when the most imminently perilous of them can be painlessly assuaged.

There was a time when the shortfalls in the Social Security and Medicare trust funds could have been handled without severely compromising the integrity of the programs. But many years of neglect and the imminent retirement of the baby boom generation have rendered a radical, pain free fix all but impossible. Of course, the same can be said about gaining some control over the burgeoning federal deficit and of finding sufficient funds to meet the extraordinary multiplicity of promises that the federal government has made to various population groups, including but not limited to public employees, union members, veterans, minorities, and “the poor.”

Indeed, the grim reality is that even if the federal government were to suddenly begin to act responsibly, it could not find the resources to honor all of these obligations. The politicians sense, if not actually know this, which, ironically, has eliminated all inclinations that any of them might have had at one time or another to even try. Instead, each is seeking to ride out the coming storm by borrowing and spending outrageous amounts of federal funds, while the opportunity still exists, in an effort to purchase favor

with enough special interest groups to retain their positions of influence during the difficult political times ahead. The result is that there is no longer any institutional resistance whatsoever within the political community to the debasement of the nation’s currency. It’s free drinks and caviar for all until Ed Yardeni’s bond vigilantes break up the party.

A truly fascinating sidebar to this story is that an extremely large number of politicians, including the president himself, are absolutely gaga over the idea of spending trillions upon trillions of dollars that they simply don’t have on several high profile projects straight out of the world of fantasy, such as “changing the climate of the entire globe” and fixing a “broken” health care system by nationalizing it. In the real world these actions, taking place during a time of genuine impending crises, would be regarded as a form of madness. In the crazed atmosphere of the United States today, they are widely regarded as not just “responsible” but “visionary.”

Conventional wisdom among the politicians, pundits, experts, and the media is that ultimately the pain of all this insanity will be shared between “the rich,” via higher taxes and aggressive means testing, and America’s creditors via inflation. This assumption makes a certain amount of sense, since it is apparently the preferred path of both the Obama crowd and the Democrats who control both houses of Congress. Needless to say, however, it grossly oversimplifies both the economic and political consequences of the coming storm.

As we said earlier, it is impossible to foresee what lies ahead. But we will offer the following narrative as a starting point from which to think about it.

During the last couple years or so of the Bush administration, it finally became apparent to virtually every American that some sort of crunch time was approaching. And they did what many foolish people have done throughout history; they chose a leader who promised them a painless solution to the troubles they had gotten themselves into over the years; a phony social physician who promised them that the poultices

he had prepared for the wounds they suffered at the hands of his predecessors would not be painful but soothing. He told them that they were victims and that he was their avenger. He promised that he would not only restore their fiscal security by taking money from the greedy rich and giving it to them, but would, as a bonus, heal the planet, slow the rise of the oceans, end war, and restore the nation's image as the last best hope on earth. And lo, they bought it. Hook, line, and sinker. Indeed, they gave him a virtual *carte blanche* to work his magic.

And naturally, he seized the day. *Carpe diem*, as the saying goes. And the ever-gullible, tragically undereducated Americans were treated to a series of bold, highly unconventional, and economically insane initiatives, ranging from the *de facto* takeover by the government of the financial services and the automobile industries to the acquisition of previously unfathomable amounts of new government debt and the distribution of these resources willy-nilly with little or no apparent concern about the corruption that is certain to be the handmaiden of such a venture.

Needless to say, the formula is failing in the test tube, as it has in every society that has ever experimented with the noxious effluent of socialism. In fairness to Barack, no American politician could "solve" the problems he is addressing and retain even a modicum of public popularity. You see, pain will be required and pain is not the province of honey-tongued politicians like him. Pain is the province of the marketplace. And the marketplace will not shirk its responsibility. It never has and it never will. Indeed, it will do its job, slowly but ever so surely, all over the world.

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