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THEY SAID IT

Marxism-Leninism as an idea was a species of utopian madness, intellectually uninteresting in conception and necessarily brutal in application. It produced none of the benefits that it promised, and finally, it seems, was believed by almost nobody among those in charge of its implementation. It could not maintain its self-respect, it could not hold up its head, in the company of economic, cultural, and spiritual alternatives represented by figures such as John Paul, Reagan, and Thatcher. Posing as a great power is the last refuge of failed systems and, in view of the military challenge, the Soviet Union could not any longer even claim to be a great power.

Father Richard John Neuhaus, *First Things*, May 1994.

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TO THE VICTOR GOES . . . WELL, NOT MUCH.

Yesterday, October 18, was a truly historic date, the twentieth anniversary of the fall of one modern history's greatest monsters. Not that you were likely to hear anything about it on your network news or read anything about it in *The Washington Post* or *The New York Times*.

Nevertheless, twenty years ago yesterday, Erich Honecker, the Chairman of the State Council of the German Democratic Republic (East Germany), resigned his post as head of state and began a series of moves that would eventually take him to Moscow, in the vain hope of avoiding prosecution for high treason and crimes against the German people. Honecker ruthlessly ruled East Germany for its final 18 years, starting in 1971. But he is probably best known for his role as the planner and project manager of the Berlin Wall roughly a decade earlier, when he was the security chairman the Central Committee. Or perhaps it would be more accurate to say that he is even better known as the man responsible for the "shoot to kill" order that resulted in the deaths of more than 100 of his countrymen for the "crime" of seeking freedom.

Honecker's resignation came roughly three weeks before the unofficial "fall" of his beloved wall and about eight weeks after the Hungarian Communist Party stopped enforcing its border controls with Austria, thereby setting off the chain reaction that led to the collapse of the Iron Curtain. All of which is to say that Honecker's resignation was one of a series of essential events in what *Reason* magazine editor Matt Welch has called "arguably the most liberating year in human history."

Again, though, you're not likely to read or hear much about this magical and thrilling anniversary in your mainstream press sources. You may get a story or two – possibly in the human interest section – on November 9, the anniversary of the Wall's fall. But not much else. As Welch put it last week:

Twenty years later, the anniversary of that historic border crossing was noted in exactly four American newspapers, according to the Nexis database, and all four mentions were in reprints of a single syndicated column. August anniversaries receiving more media play in the U.S. included the 400th anniversary of Galileo building his telescope, the 150th anniversary of the first oil well, and the 25th anniversary of Teenage Mutant Ninja Turtles. A Google News search of “anniversary” and “freedom” on August 23, 2009, turned up scores of Woodstock references before the first mention of Hungary.

Get used to it, if you haven't already. November 1989 was the most liberating month of arguably the most liberating year in human history, yet two decades later the country that led the Cold War coalition against communism seems less interested than ever in commemorating, let alone processing the lessons from the collapse of its longtime foe. At a time that fairly cries out for historical perspective about the follies of central planning, Americans are ignoring the fundamental conflict of the postwar world, and instead leapfrogging back to what Steve Forbes describes . . . as the “Jurassic Park statism” of the 1930s . . . There have been more Hollywood hagiographies of the revolutionary communist Che Guevara in the last five years than there have been studio pictures in the last two decades about the revolutionary anti-communists who

dramatically toppled totalitarians from Tallin to Prague . . . And what little general-nonfiction interest there is in the superpower struggle . . . remains stuck in the same Reagan vs. Gorby frame that made the 1980s so intellectually shallow the first time around.

Now, there are at least a couple of critical reasons why the defeat of Communism -- arguably the greatest evil in the history of mankind -- is given short-shrift in the nation's media, secondary schools, universities, etc. First, the defeat of the Soviets and the complete collapse of the Evil Empire are generally viewed in partisan terms by the overwhelming majority of those who control said media, schools, and universities, and, for the time being at least, the federal government as well.

President Obama's supporters like to make a big deal about how disrespectfully their man is treated by his opponents. They insist that he is the most grotesquely caricatured and most relentlessly maltreated president in the history of the nation; that what is being done to him, what he is being accused of, what is being said, written, and thought about him is unprecedented. But this is just not true. For starters, George W. Bush was equally abused, and he was hardly the first. We'd like to presume that those who make such utterly preposterous charges about Obama's critics are simply ignorant of history and, specifically, of the treatment that was given Ronald Reagan by the leftist establishment. But many among them are, in fact, the very same people who leveled outrageous and inane charges against Reagan, not just during his presidency, been ever since as well.

The fact of the matter is that the policies of Ronald Reagan, a Republican, were far more successful in dealing with the Soviet threat than were the policies of his predecessor, a Democrat. And many in the political and media establishments have never forgiven Reagan for that.

Reagan did everything opposite of that recommended by the entrenched interests in Washington. And when he turned out to be right, they were angry and

embarrassed rather than humbled. The old fool was lucky, the say. Or the Communist bloc was crumbling anyway and eventually would have collapsed on its own, with or without Reagan. Even those who acknowledge Reagan's impact, do so only grudgingly, asking "at what price" was the defeat of Communism purchased, referring specifically to the Reagan-era deficits, which were, up until about nine months ago, considered rather large and potentially crippling.

The bottom line is that the establishment chooses to ignore the American victory in the Cold War largely because it was designed and carried out by an old white man who had the unmitigated gall to be, of all things, a Republican, and a conservative one at that.

The second reason that America's Cold War victory is heavily discounted in the nation that delivered that victory is something of a tautology: The United States was able to shepherd victory over Communism because it, virtually alone in the world, was almost entirely untouched by the horrors of Communism. Yet, because it was untouched by the horrors of Communism, that victory is discounted. Communism in the United States was always a distant and exotic problem. Sure, the State Department and Hollywood had their share of fellow travelers, but they were never a real threat to the domestic tranquility. The evils of Communism were something that happened to *them*, over there. They didn't happen here. They couldn't happen here. They never happened here.

This, in turn, has created two conditions that are critical to understanding the post Cold War operation of the American government in general and the Obama administration in particular. First, the overwhelming majority of those who affect the direction of the American domestic agenda, from politicians to academics to political journalists, never learned first-hand about the inefficiencies and indeed, the utter futility of collectivist policies. As we note in our companion piece today, collectivist action is universally doomed to failure. And everyone learned that lesson from the collapse of Communism; everyone, it would seem except those who never experienced Communism, namely the American political establishment.

Everywhere, it seems, the lessons of the Communist collapse have been learned and adjustments have been made. But not in the good old U.S. of A. Even as the United States moves leftward, the former Soviet bloc moves rightward. Red China is now the "engine of capitalism." The Russians this weekend invited the Chinese to teach them how to become totalitarian capitalists as well. Cuba's Raul Castro is expressing hope in "socialism lite." And even the socialist-sclerotics in Western Europe are cutting taxes and recognizing the limits of the state. Again, as Matt Welch notes:

The abject failure of top-down central planning as an economic organizing model had a profound impact even on the few communist governments that survived the '90s. Vietnam, while maintaining a one-party grip on power, launched radical market reforms in 1990, resulting in some of the world's highest economic growth in the last two decades. Cuba, economically desperate after the Soviet spigot was cut off, legalized foreign investment and private commerce. And in perhaps the single most dramatic geopolitical story in recent years, the country that most symbolized state repression in 1989 has used capitalism to pull off history's most successful anti-poverty campaign. Although Chinese market reforms began in the late '70s, and were temporarily stalled by the Tiananmen Square massacre (which, counterintuitively, emboldened anti-communists in Europe), China's post-Soviet recognition that private enterprise should trump the state sector helped lift hundreds of millions out of poverty . . .

Up until 1989, mainstream Western European political thought included a large and unhealthy appetite for governments owning the means of production. The original Marshall Plan was an almost desperate attempt

to prevent the kind of domestically popular (if externally manipulated) communist takeover that would submerge Czechoslovakia in 1948. Socialist French President Francois Mitterrand nationalized wide swaths of France's economy upon taking office in 1981. By the time the Berlin Wall fell, it was the rule, not the exception, that Western European governments would own all their country's major airlines, phone companies, television stations, gas companies, and much more.

No longer. In the long fight between Karl Marx and Milton Friedman, even the democratic socialists of Europe had to admit that Friedman won in a landslide. Although media attention was rightly focused on the dramatic economic changes transforming Asia and the former East Bloc, fully half of the world's privatization in the first dozen years after the Cold War, as measured by revenue, took place in Western Europe. European political and monetary integration, widely derided as statist by the Anglo-American right, has turned out to be one of the biggest engines for economic liberty in modern history. It was no accident that, in the midst of Washington's illegal and ill-fated bailout of U.S. automakers, Swedish Enterprise Minister Maud Olofsson, when asked about the fate of struggling Saab, tersely announced, "The Swedish state is not prepared to own car factories."

The second condition fostered by America's fortunate inexperience with Communism is a radical and otherwise inexcusable ignorance on the part of almost the entirety of the nation with regard to the true nature of and the true damage wrought by Communism and its attendant "quirks." And it is this condition that relates to and reflects so poorly on the Obama administration.

Everyone, everywhere in the world knows that to call someone a "Nazi" or a "fascist" is to call him the ultimate evil. As we and countless others have noted, these terms have largely lost any and all connection to their actual definitions and have become mere generic epithets. The same, though, has not happened to the terms "Communist," "Marxist," and the like. Indeed, the idea that terms such as these are even insulting is anything but universal, particularly in the academy and its emulators.

Nevertheless, the fact remains that Communism was, in terms of sheer numbers, a far more effective evil than Nazism. Mao alone was responsible for the slaughter of anywhere from four to six times as many people as was Hitler. Likewise, Stalin put Hitler to shame in numerical terms, and Lenin came close. Add in the crazy Kims in Korea, Pol Pot, Castro and Guevara, Ho, and the rest, and you have a blood bath of unparalleled and, frankly, unimaginable proportion. But again, it all happened "over there."

So American teens are free to wear their Che Guevara t-shirts. American academics are free to admire Lenin, preach Marx, and carry their "Little Red Books." And American political actors are perfectly comfortable claiming affiliation with Marxist groups, perfectly comfortable consorting with Marxist murderers, and perfectly comfortable telling a group of high schoolers that Mao is one of their two favorite "political philosophers."

The level of ignorance involved here is mind numbing. Those whacky kids, we're told, aren't making a statement about Cuba or Communism when they put on their Che garb. Heck, they don't even know who he is. And that's the point.

A great deal has been made this past week about the existence of yet another Marxist/Leninist/Stalinist/Maoist in Barack Obama's inner circle, this time his friend, confidant, and acting communications director Anita Dunn. Earlier this year, it was Dunn who offered the above-noted paean to the "political philosopher" Mao Tse Tung. And earlier this month, the clip of this moral absurdity was played by Fox

News's Glen Beck, the only man in the world less likely to be allowed to buy an NFL franchise than Rush Limbaugh.

The reaction from conservatives has been one of universal condemnation. From Mark Steyn to Charles Krauthammer; from Roger Kimball to Victor Davis Hanson, the conservative literati have been up in arms over Dunn's praise and affection for Mao. Had her praise occurred in a vacuum, they argue, it would be offensive enough. But it did not. It occurred in an administration that recently lost its "Green Jobs Czar" who was and presumably is still an avowed Marxist. It occurred in the administration of a president who launched his political career at the home of another avowed Marxist, one so dedicated to the cause that he actually undertook violence in its name. It occurred in the administration of a man who partnered with and funded education "reformers" who made no secret about their affection for Chairman Mao, among others. In short, then, it took place in an administration riddled with those who either espouse Marxist twaddle or, at the very least, who don't see affinity for Marxism and its murderers as a disqualification from high political office.

The conservative commentariat is, understandably, upset by this. These people are dangerous, we are told. They're radicals. They believe this garbage and they mean to inflict their vision on the nation. Obama promised to transform the country, and this is what he intends it to look like when he's done.

There is, of course, something to this. And conservatives are right to fret about Marxists in the government. But in our humble opinion, the threat here isn't that these people are dangerous, per se. It's that they are dumb. Stupid. Thick. Dense. Obtuse. Because that's what you'd have to be to believe any of this Marxist drivel after the entire system was so thoroughly and vividly discredited. Steyn et al think that we should worry about Dunn and Van Jones and Bill Ayers because they prove that the Obama folks are radicals. More to the point, we think, we should worry about them because they prove that the people running the nation's government are morons.

When, at the end of the Cold War, Francis Fukuyama laid out his argument that we had arrived at the "end of history," he did so on the presumption that the victory of liberal-capitalist-democracy was, under the circumstances, undeniable. Unfortunately, among the other flaws in the theory, Fukuyama failed to take into account the shocking historical ignorance of the American left. The people in Russia and Lithuania, and Poland, and Beijing, and Shanghai may have learned that Communism is a joke, a sick, twisted, violent joke. But the folks in Berkeley, New Haven, Cambridge, and Washington, apparently did not. And there is simply no excuse for that.

Nearly five years ago, we noted in a piece about President Bush and then-President Putin, the "escape" and subsequent escapades of Italian journalist and self-described Communist Giuliana Sgrena. We were, to say the least, shocked at her appearance:

Someone spotted a great big woodpecker down in Arkansas, you know. Everyone thought this bird was extinct. Then some guy riding around in a canoe saw one. It was a *Campéphilus principalis*, better known as an Ivory-Billed Woodpecker. And now hundreds of people are headed for Arkansas to try to see it.

We can understand this. We felt the same way when we read some months back that an Italian journalist who described herself as a communist had escaped from the bad guys in Iraq. Wow, we thought, a communist in this day and age. We wanted to fly over there right away just to see her. We know that Communists are not as rare as one of those big woodpeckers. But they are a dying breed, nevertheless. So we couldn't help but think how great it would be to see a real live one before they're all gone.

Little did we know that we wouldn't have to go all the way to Iraq or Italy to see a real live Communist; that if we had a little patience we could see as many of them as we might want right here in Washington; that, indeed, they would be as common as fleas on a dog.

Such, we guess, are the spoils of victory.

TRILLION DOLLAR-PLUS DEFICITS AS FAR THE EYE CAN SEE.

We are going to begin this week by positing the premise that running a \$1.4 trillion deficit in fiscal 2009 was not an unfortunate consequence of Barack's master plan for "fundamentally transforming America" but a critical ingredient of it. Of course, we don't know for certain if this is the case, but we thought we would use this notion as a literary tool for examining some of the political side effects of this unprecedented breach of fiscal responsibility. We report, you decide, as the boys and girls at Fox News would say.

But, you ask, how could anyone think that Barack Obama would welcome a deficit of this size, since everyone, including he himself, Helicopter Ben, Turbo-tax Tim, virtually every member of Congress, and every reputable economist in the nation, is in public agreement that something must be done to rein in the continuing spread between spending and revenues or the country will go bankrupt?

Well, we will answer that question with a question. If a new president takes office, who wishes to make sweeping changes in some of the most fundamental aspects of American government, including the makeup of the elite who control the levers of power at all levels of society, and he can finance this project with money borrowed at mind numbingly low interest rates, and he has a machine just a few blocks away from the White House that can make as much paper currency as he needs to pay any grouchy creditors whenever necessary, then why, pray tell, would he not borrow as much as lenders are willing to lend in pursuit of this noble project?

Aha, you say. He wouldn't do this intentionally because he knows it will inevitably lead to a massive devaluation of the nation's currency. And if this happens, everyone loses. To which we would reply, "No, not everyone." Lenders lose, savers lose, individuals that live on fixed incomes lose, and various other groups of poor souls lose. But that's how the world works. Sometimes the bug hits the windshield, and sometimes the windshield hits the bug. The important thing to keep in mind here is that the borrower, in this case Barack Obama, only loses if he fails to invest the money wisely, i.e., in some place that gains value during difficult times.

But, you say, Barack isn't doing that. He is spending it on make-work projects that don't make work, on bailouts for firms run by idiots and crooks, and on all sorts of dead-end schemes and give-away programs that have no lasting value. To which we would say, "No he isn't." He is investing the money in one of the most valuable commodities in the world, namely political power.

Of course, no one really knows exactly where the hundreds of billions of dollars have gone. And no one ever will. But there is no question that a substantial portion of it has been "invested" in the pockets of individuals and organizations that support Barack and his "transform America" project.

Among other things, he used a large chunk of the money to create monopolistic banking and financial partnerships between the government and the private sector, which place enormous international financial clout, information, much needed campaign funds, and leverage over myriad segments of the economy in the hands of the President of the United States, which just happens to be him. Indeed, one can be assured that Barack's good friends at Goldman Sachs will not forget his part in helping them earn \$3.2 billion dollars in the recently-reported third quarter. *Fortune Magazine* offered the following observation on the delightful synergism between Barack's "investment" in Goldman of \$75 billion of the money he borrowed on the public cuff and the firm's recent good fortune.

Critics charge that the lion's share of Goldman's profits comes from making big bets using cheap dollars printed by the Federal Reserve. Plus, given the crisis that followed the failure of Lehman Brothers, there's a sense that government officials won't let big firms go bust. That in effect gives too-big-to-fail firms a license to bet the house.

"This is almost an 'in your face' kind of setup here," said Michael Panzner, a Wall Street veteran who blogs at financialarmageddon.com and who wrote a 2007 book predicting economic disaster. "They're rolling the dice, and so far they're winning," said Panzner.

Then, of course, Barack invested a large amount of the money in America's economically obsolete labor movement. Among other things, he bailed out two dying auto companies, not because he thought they were good investments on behalf of the American public, but because he thought the United Auto Workers Union would appreciate his largess and repay it many fold with a variety of favors ranging from campaign contributions to goon squads for use in campaigns. Then he used some of the money to heap innumerable favors, including many important jobs, on the scandal plagued, deeply corrupt Service Employees International Union in exchange for its \$60.7 million contribution to his presidential campaign.

And lord only knows how much of America's borrowed funds have been "invested" in expanding the reach and influence of the deeply corrupt nest of thugs, con artists, grifters, rapsclions, shysters, sharpies, plug-uglies, and race hustlers at ACORN and its too-numerous-to-count front organizations.

Next year, if Barack has his way, the \$1 trillion-plus federal deficit will include funds for the destruction of the finest health care system on earth and its replacement by a government run model that will place unprecedented and unfathomable political power in his hands, including the *de facto*, and eventually the *de jure*, license to decide who lives and who dies.

But the ultimate means by which a long string of trillion-dollar-plus fiscal deficits will vest unparalleled power in the Obama White House is by helping to destroy the foundations of the free enterprise system that Obama despises and thus opening the door for him to begin the wealth redistribution program that he himself has acknowledged on numerous occasions has always been at the heart of his agenda.

You see, the availability of hundreds of billions of dollars of federal funds is a prescription for widespread corruption and corruption is the ultimate *bête noire* of capitalism and free markets.

Regular readers will recognize that this is not a new thought on our part. Indeed, almost 15 years ago, in July 1995, we wrote an article entitled "Democracy and Capitalism Can Always Use A Little Moral Support," in which we stated that "it may well be that the most dangerous enemy to U.S. society in the 21st century, replacing the communist threat of the last half of the 20th century, will be the proliferation of deeply corrupted capitalistic democracies around the world in an era of greater and greater worldwide economic integration."

We repeated this theme six years later in the first article that we wrote for Lehman Brothers, where we were employed for a brief time after being fired from Prudential. That article was dated April 16, 2001 and entitled "Challenges Ahead for Capitalism." The purpose of the piece was to offer Lehman clients and management a brief overview of several themes that had our attention at the moment.

The first of these two was "global corruption," which we described as "the biggest threat today to liberal democracy, capitalism, and thus, to the investment business," adding that "it is incumbent on all Americans, but most especially the nation's business community and its politicians to be scrupulously honest in their dealings, both here and abroad." Needless to say, the powers that be at Lehman paid no attention to our words. And the rest is history.

We noted in that article that the threats that corruption brings to American capitalism are many fold. First, we said, there are the outright losses suffered by victims of illegal and unethical activity, which can consist of direct costs to individuals as well as to society via bankruptcies and business failures. Second, there are the costs connected to the gross inefficiencies that corruption creates in everything from the production process to the allocation of capital. Then there is the trust factor, which can be seen as a huge tax on transactions. And finally, there are the hidden costs of added regulation and government interference, both of which follow corruption like hyenas do a lame gazelle. We continued as follows:

One of the most common laments from financial market people who have been on the receiving end of federal investigations is that the enforcers and the regulators with whom they have to deal “don’t know the business.” Charges include that they make impractical demands; that they propose “solutions” that would make things worse; and that they find certain routine practices suspicious because they don’t understand the fundamentals of how financial markets work.

We would imagine that there is some truth in these complaints. But we suspect that the real problem in these situations is not so much that the enforcers and the regulators don’t understand, but that they are simply coming at the business from a different perspective, with a different goal. There is not to worry about tweaking the existing system to make it work better or more honestly. Their concern is about how to insinuate a greater government role into the process.

Over the years, they have been enormously successful at this, always because of the actions of a small group of individuals who let the system down; who violate the trust placed in them to run these great and enormously important markets with the integrity that self-regulation requires. And slowly but surely over

the years, governmental oversight has begun to turn into governmental control. And just as surely, governmental control will eventually result in a different kind of corruption, a much more destructive kind, the kind that destroys competition, entrepreneurs, small producers, innovators; the truly insidious kind of corruption that always occurs in those public-private partnerships in which the government is the controlling partner.

That point has not yet been reached. Indeed, it may be a long way off. But then again it may not. One thing is certain. It will happen smoothly, when it happens. In fact, few people will realize that the take over has occurred until it is completed. Some very smart people in the private sector, people from the lofty heights of places like Goldman Sachs, who have learned to operate in both worlds, travel comfortably between them, and revel in combining Washington power with Wall Street money, will make the deal. And one day only a few old timers will remember that the greatest financial markets in the world used to be run by the private sector, always with a respect for competition and free enterprise, and, for the most part, honestly.

Well, as kids are wont to say when on an automobile trip, “Are we there yet?” To which our answer is, “Yes kids, we are.” Governmental oversight has indeed turned to governmental control and corruption is spreading like mold on a cheese. Crooked politicians, crooked business executives, crooked “community organizers,” union thugs, political bagmen and women, and thieves of all shapes and sizes are feeding like vultures on the tens of billions of dollars that is being placed on the public tab by Barack Obama and his fellow Democrats.

The bad new in all of this, as we have said many times in these pages, is that America has some very tough times ahead of it. The good news, as we have also said many times in these pages, is that Barack’s dream of turning America into a modern day version

of *Animal Farm* will eventually fail. It will do damage, some of it permanent. But it will fail nevertheless. There are many reasons that we know this, but the most important is that the redistributionist model is deeply flawed, both socially and economically, and that will prove to be particularly so in the United States, where the Judeo-Christian respect for the individual is still deeply ingrained in the national psyche.

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