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## THEY SAID IT

Scientists – not all scientists, but certainly the best of them – have always held their laws as at best hypotheses subject to constant modification. Political theorists, and especially political theorists in action, like Robespierre, have tended to hold their conclusions as dogmas. After all, they sought to guide men, and men had always been guided in their social relations by ethical standards sanctioned by religious absolutes . . . This tendency to dogmatism was accelerated by the fact that the material with which the political thinkers worked was infinitely more complex than the material of the scientists, and by the fact that experimentation, and hence the inductive method, could be but incompletely applied to the study of man . . .

Moreover, political thought deals with human beings who are at bottom *evaluating* animals. Now measurement of value stops somewhere short of being mathematical measurement. Scientific measurement, on the contrary, is always mathematical measurement. Science, for instance . . . will even sometimes persuade [a man] to choose between apples and beans in accordance with the calories and vitamins they contain. But in the last resort a man will chose to eat apples or eat beams because he prefers one to the other . . . Taste, in its widest sense, determines a vast number of the kind of human actions the political thinker must study, and we have as yet no satisfactory calculus of taste.

Crane Brinton, *English Political Thought in the Nineteenth Century*, 1949.

## THE SHOULDERS OF MIDGETS.

In 1948, the behavioral psychologist, B.F. Skinner published his preeminent work, *Walden Two*, a utopian fantasy thinly disguised as a “science-fiction novel.” In the book, Skinner, perhaps the most prominent behaviorist of all, describes a peaceful, experimental community in which all of the members behave, by design, in accordance with “scientific” behavioral principles.

Skinner – and the “planners” who run his fictional community – believed that by harnessing the power of the social sciences, people could be “guided” to behave in certain ways, for their own benefit and the betterment of the community. Individuals in his fictional community are free to choose, of course, but are scientifically encouraged to choose properly, logically, rationally, and harmoniously. The results of this “guidance” are, naturally, impressive: peace, creativity, artistic renaissance, happiness, and productivity – a utopia, in short.

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“Government” such as we understand the term is minimal, and order is maintained not through force or coercion, but through the process of behaviorism, that is, applying the proper stimuli to encourage proper choices and proper behavior.

What could be better?

Exactly sixty years after Skinner’s novel was published, the entirety of the United States was enlisted in his experiment. Skinner’s original idea focused on a small community and on the behavioral regulation of roughly one thousand individuals. The new version – instituted with the election of Barack Obama – purports to take the behaviorist ideas mainstream, to operate on a much larger scale, and to manage the day-to-day activities of 30,000-times as many residents as Skinner’s utopia. And it too promises peace, harmony, and happiness – all without the bothers of coercion or force.

Now, in truth, we don’t have any idea if Barack Obama even knows who B.F. Skinner was or if he’s ever heard of *Walden Two*. But we do know that he, like Skinner, sees the application of “scientific” principles – principles determined by “planners” – to be the key to a harmonious society. And we know that he, unlike Skinner, actually seeks to employ these principles, rather than simply write harmlessly about them. Andrew Ferguson, an essayist, journalist, and onetime speechwriter for George H.W. Bush, provides the details, not that they are much in dispute:

Among the many transformative experiences President Obama says he has planned for us, one in particular has gone relatively unnoticed. He has vowed to remake the methods by which the federal government regulates our homes, our offices, our roads and brooms and thimbles, our roller skates and garden tools and tortilla chips and sunglasses—nearly everything. The federal government regulates nearly everything already, of course, but now the new administration wants to regulate

by different lights. A few days after taking office last year, Obama signed a presidential memorandum to set our new transformative experience in motion.

The memorandum began by noting that federal regulatory policy has lately been governed by an executive order issued in 1993. Political activists disliked the old order—EO 12866, as it’s known among regulation buffs—because they saw it as a hindrance to new and ever more sweeping regulations. EO 12866 made the job of regulating difficult by requiring a federal agency to perform onerous cost-benefit analyses on each regulation it proposed and to rework the rules that proved too costly. In his memorandum, the president suggested that this approach, while perhaps well-meaning, was the product of a less sophisticated, pre-Obama era.

“A great deal has been learned since that time,” he wrote. “Far more is now known about regulation—not only about when it is justified, but also about what works and what does not. . . . In this time of fundamental transformation, that process—and the principles governing regulation in general—should be revisited.”

President Obama didn’t do away with the cost-benefit requirement, or with Executive Order 12866. Instead he kicked the can down the road, as he likes to say other people are always doing. He ordered the Office of Management and Budget to conduct a 100-day review of 12866 and report back to him. Among other things, he wanted the report to “clarify the role of the behavioral sciences in formulating regulatory policy.”

At this reference a few knowing observers pricked up their ears. During his campaign, the candidate Obama was often portrayed as an intellectual acolyte of “behavioral economics,” a très chic social science that culls up-to-the-minute laboratory research about why human beings behave the way they do and applies it to the world of buying, selling, borrowing, and investing. At the candidate’s elbow, said *Time* magazine, was a “behavioral dream team”: economists and psychologists steeped in the latest behavioral literature. And once in office the president surrounded himself with many dream-team veterans: Lawrence Summers, Austan Goolsbee, Peter Orszag—behavioralists all.

He also appointed Cass Sunstein, a former colleague from the University of Chicago Law School, to be his “regulation czar” (journalese for the director of the Office of Information and Regulatory Affairs in the Office of Management and Budget). Being DOIRA of OMB may not sound glamorous—it sounds more like a sinister potentate in *Lord of the Rings*—but it is easily the most powerful regulatory position in the executive branch, after the president’s. Every significant rule proposed by every federal agency must win the approval of Sunstein’s office, which is now staffed with still more behavioral economists recruited from Harvard, MIT, Princeton, and the Brookings Institution. It’s like behavioral summer camp over there.

“Relying on behavioral science,” *Time* announced, Obama and “his administration [are] using it to try to transform the country.”

Apparently, the President, Cass Sunstein, and the rest didn’t get the memo about social science not being actual “science.” They also didn’t get the memo about *Walden Two*, the erstwhile behaviorist utopia, being, in truth, a fascist, totalitarian dystopia, as described by their fellow leftist Noam Chomsky. They didn’t get the memo about the fact that individuals tend to be more complicated in practice than in theory, that they tend to make decisions based on the conscious and unconscious consideration of multiple input variables, rather than just one. They didn’t get the memo that this sort of “encouragement” is also known as “manipulation” and violates the very premise of a free and open society. And last, it appears that they didn’t get the memo about this all being terribly old, tired, hackneyed business, the stuff of utopian fantasy for centuries – millennia even. This “new” approach is anything but, not that any of our “planners” would know. Or care.

If you think that *Walden Two* – with its utopian “planners,” its communal child-rearing, its “golden age” of arts and music, and its disdain for the individual and individual differences – sounds familiar, there’s a reason for that. Plato, you see, wrote the same book, more or less, only he called his *The Republic*. Some critics think that Skinner intended for his book to be evocative of Plato’s, that he was, in fact, parodying Plato. We doubt it, given Skinner’s life work, but we can hardly say for certain.

What we can say for certain is that the Obamian vision is anything but a parody. Sadly.

These guys really mean it. They’re really gonna shake up the world. They’re gonna fix us. And they’re gonna do it without us ever knowing that they’re doing it to us.

And if you think *this* sounds familiar, then you are right again. As Ferguson notes:

When Sunstein announced that Obama wasn’t “an old style Democrat who’s excited about regulations for their own sake,” the *New Republic* pointed

out, Pavlov-style, that Obama was a New Kind of Democrat—newer than the last New Kind of Democrat, Bill Clinton, and newer certainly than Michael Dukakis, an older New Kind of Democrat who inherited the title from an even earlier New Kind of Democrat, Gary Hart. (You have to go all the way back to poor Walter Mondale to find an Old Kind of Democrat, and even he was preceded by Jimmy Carter, himself a very old New Kind of Democrat circa 1976.)

Everything old, you see, is new again – as it always is.

In another recent article, this one in *Commentary*, the liberal author Fred Siegel traces the history of the strain of Anti-Americanism that pervades much of the political left and forms the foundation for the Obama administration's approach to foreign affairs. To wit:

In 1928, D.H. Lawrence wrote a poem entitled “How Beastly the Bourgeois Is” in which he compared the middle class to a “fungus, living on the remains of a bygone life/sucking his life out of the dead leaves of greater life than his own.” Lawrence's contempt for the bourgeoisie was part of an intellectual tradition dating back to the 19th century, when English aesthetes such as John Ruskin and Oscar Wilde, German sociologists such as Ferdinand Tonnies and Georg Simmel, and French litterateurs such as Charles Baudelaire and Gustave Flaubert made careers out of flaying the middle class. They defined it as comprising, in the words of the great French historian Francois Furet, “petty, ugly, miserly, laborious, stick-in-the-muds, while artists were great, beautiful, brilliant and bohemian.” Flaubert, for one, argued against democracy on the grounds that “the whole dream of democracy is to raise the proletariat to the level of stupidity attained by the bourgeois.”

It was only in the 1920s, the same decade in which Lawrence wrote his poem, that such contempt for the bourgeoisie—and with it a deep hostility toward the United States's position as the quintessentially middle-class, democratic, and capitalist nation—found a wide audience in this country through a new generation of writers such as Sinclair Lewis and H.L. Mencken. Weaned on the work of H.G. Wells and George Bernard Shaw and their loathing for conventional mores, Lewis and his confreres became the dominant force in American letters, and their views went largely unchallenged in the literary world.

The 1920s “literati,” Siegel notes, citing the literary critic Bernard DeVoto, railed against the two evil archetypes of American society, “the Puritan and the Pioneer,” whose values were vile and stupid and who contributed to overconsumption, commonness, and a lack of respect for society's intellectual betters.

The creative class was being crucified, asserted Mencken, by the inferior breeds of humanity who had presumptuously betrayed their proper role as peasants in Europe past by crossing the Atlantic and breeding each other into idiocy. Mencken and his fellows grew ever more vitriolic in their criticisms of the United States even though, as DeVoto observed, American writers had become “more widely read, more enthusiastically applauded, and rewarded with greater wealth and public honors” than ever before. But still “something oppressed them,” DeVoto quoted Cowley as saying. “Some force was preventing them from doing their best work.” What was this force? It was, Cowley said, “the stupidity of the crowd, it was hurry and haste, it was Mass Production, Babbitry, Our Business Civilization, or perhaps it was the machine.”

Cowley's cénacle, DeVoto noted, spoke of a materialist "conspiracy against the good life," as their heirs in the 1930s would speak of a "capitalist conspiracy." Americans, they said, were "morbid" and "bloodless"; their existence was, in the words of Van Wyck Brooks, "death in life." The ideal was Europe's hierarchical social order, in which writers such as themselves were an academy empowered, as they understood it, to set the standards of society. Mencken found his ideal in the Kaiser's Germany; others were drawn to France, where some of the post-World War I generation took up exile from these barbaric shores. Innocents abroad, they were largely unaware of the ugly undercurrents that would burst forth in the 1930s. Their motto was, in effect, "they do it better in Europe." Their Europe, DeVoto wrote, was the place where "thought is free . . . art is the universal goal of human effort, writers are universally respected, and human life has a claim on the interest of literary men which in America it assuredly has not."

These writers were to be America's "awakeners," as they saw it . . .

Channeling DeVoto, Siegel notes that these pre-anti-Americans were arrogant, indolent, and, most important of all, historically ignorant. They didn't know what they were talking about, with regard to history or to societal attitudes, though that didn't stop them from railing against the land of their birth or bemoaning its unwillingness to recognize their greatness. And nor did it stop the "anti-American intellectuals" of the 1960s and even their modern heirs from adopting the same attitudes, from railing against the same evils, from restating "repeatedly" the "rhetorical tropes fashioned in the 1920s," or from turning those tropes into public policy.

The anti-American intellectual wannabes, like the behaviorists, have it all figured out. As we said above, They're really gonna shake up the world. They're gonna fix us. And they're gonna do it without us ever knowing that they're doing it to us. These guys (and gals) know better what the world needs than you do. Than we do. Than anyone does. And they're going to take care of it all.

Taken together, the Ferguson article and the Siegel piece demonstrate rather clearly the problems that plague our modern, activist government. The ideas on which this activist and, generally "progressive" governance is based are nothing new. They are, rather, ancient. They have their roots in much earlier ages. And, more to the point, their failures and foolishness have been amply demonstrated and are hardly secret. Only their modern practitioners seem unable to grasp any of this.

If we had to describe President Barack Obama in one word, we think that word would almost certainly have to be "arrogant," although "ignorant" would run a very close second. Obama and his fellow travelers believe that they know best how to "change" the world and know the schemes that will, once and for all, make this world a better place. They resent that the American people are not as confident as they are in their abilities and wish, therefore, that the people would just shut up and do as they're told.

At the same time, they appear blissfully unaware that everything they seek to do, everything they present as "change" is anything but. It is, rather, old. It has been tried. And it has failed. Either they have no knowledge of previous failures or they believe that somehow they have figured out something that their predecessors didn't know, which will allow them to succeed in remaking society where all others who came before them failed. They are both shockingly enamored with themselves and shockingly unaware of others, their progenitors.

Sadly, this arrogance and ignorance is hardly an ideological phenomenon. It is, rather, a foundational characteristic of the chattering class – left, right, or

otherwise. In a third article, last week the columnist and conservative commentator Peggy Noonan further discussed the travails of the Catholic Church. Or at least she purported to do so. Mostly what she did was pat herself on the back for being so prescient as to come to the conclusion that molesting children is a bad thing before many Catholic Cardinals did. She also acknowledged that the child-abuse scandal could threaten the very Church itself and offered her solutions to the problems.

On the one hand, she's right. The abuse scandal is a terrible, disgusting, disheartening calamity. On the other hand, what type of person thinks that such a calamity is the appropriate time to sing one's own praises? What type of person thinks that such a calamity carries greater risk to the Church than did the Medici or Borgia Popes, simply because she is witness to this calamity? And what type of person believes that she has all the answers to this dreadful and sprawling calamity if only the powers that be would bother to listen to her?

If you guessed an "arrogant" and "ignorant" one, then again, you get bonus points.

Since at least 1500 B.C. – since Zoroaster – the religious and cultural rudiments of Western civilization have posited that history is not cyclical, but linear. The Greek conception of the "telos," the Jewish conception of the Messiah, and the Christian conception of the post-apocalyptic Millennium are all variants on the linear nature of history and all point a grand societal purpose or reckoning.

For much of the last 2000 years, the expectation of that reckoning has been premised on the idea that it will be initiated externally, not through man's own efforts. Such an expectation is no longer the case, of course, and hasn't been for at least three centuries.

What we are left with, then, are self-absorbed individuals who think they know better than anyone else and who think that they therefore can fix the world's problems simply through the force of their own will and their own intellect. The world not only

needs "change," you see, it needs to *be* changed. Our elites are just the guys to change it. And change it they will, or at least they'll try. The fact that smarter and better equipped men and women have tried in precisely the same fashion countless times before never occurs to them or, if it does, doesn't really bother them.

Conservatism is often criticized for its inability to offer grand solutions to grand problems. It is criticized for providing, rather, a methodology for merely muddling through. What none of the critics ever seem to contemplate is that that is precisely the point.

The human condition is intractable. The nature of society, of civilization, of morality is not progressive. It just isn't. The best that we can hope for is to muddle through, to learn from the successes and mistakes of our predecessors and to employ those lessons. As we note in the new, revised edition of the forward to our yet-to-be-published book:

The idea of supporting contemporary arguments with voices from the past is not new. Indeed, as related by John Salisbury, the 12th century Bishop of Chartes, the great 12th century schoolman Bernard of Chartes famously stated the case for this pursuit of truth as follows: "We are like dwarfs on the shoulders of giants, so that we can see more than they, and things at a greater distance, not by virtue of any sharpness of sight on our part, or any physical distinction, but because we are carried high and raised up by their giant size."

Unfortunately, the practice of standing on the shoulders of the intellectual giants of yesterday is out of favor with the mainstream of today's society.

Instead, we get the modern day heirs to B.F. Skinner promising to manipulate us from above, for our own good. We get the successors to the literary

malcontents of the 1920s complaining about the same common vulgarities and promising that all will be well if these common values are simply discarded. We get arrogant and ignorant leaders insisting that they know best and that this time their schemes will work and everyone will be happier, healthier, and stronger for the wear.

We should be so lucky.

Instead, we can't help but feel that we've been here before and that it didn't turn out well.

## **A BRIEF WORD ABOUT CIVIL CHARGES AND “REFORM.”**

We know that we are not breaking any new ground here, but we hope you are not expecting the Security and Exchange Commission's civil charges against Goldman Sachs to have any impact whatsoever on either Goldman or on Wall Street as a whole.

Woops . . . hold that thought a minute . . . Let us be more specific: The charges may, actually, have some impact. But that impact will not be what we have been led to believe it will be. This is, in short, hardly a case of the Obama administration getting tough on Wall Street's big bad guys.

If you wish to know why these charges were filed, and why they were filed last week, you need only look at who stands to benefit from this exercise.

First, of course, there is the Obama administration, thus far accused of being too cozy with Wall Street, of catering especially to Goldman, and of coddling the big banks in general. After Friday, all that changed, at least in administration's telling of the story. Obama now has a scalp. Heck, to paraphrase Jim Croce, his SEC took on the baddest man in the whole damn town, badder than old King Kong. Geithner Shmeithner. Obama is no man's puppet. He's the scourge of Goldman Sachs, after all.

Additionally, the administration gets a boost in its push for what it is calling financial “reform.” As we noted last week, we generally object to any policy

prescription packaged as “reform,” and this is no exception. But now we're on the losing side politically. Who can object to reform, after all, when Goldman is running around committing fraud? Only a tool of the big banks would do such a thing. Right? Right.

The folks in the Obama administration may know better than to discuss publicly the SEC charges and the pending reform bill, but not everyone is as smart as they are. As The Associated Press reported this afternoon:

The chairman of the Senate Banking Committee said Monday that the government's fraud lawsuit against Goldman Sachs should dissuade Republicans from attempting to block financial regulations pending before the Senate.

Sen. Christopher Dodd said Monday that his legislation would provide more transparency to the type of mortgage-backed instrument that Goldman assembled and that cost investors \$1 billion.

God bless Chris Dodd (more about whom in a minute). He may not be honest or honorable. But at least he's too stupid to know that it matters.

Second, it should be noted that Goldman Sachs also stands to benefit. How so?

Well, for starters, the “civil case” is a joke. The SEC is seeking fines and restitution from Goldman, but we strongly suspect that the firm's total out-of-pocket cost – if there is any at all – will amount to no more than a rounding error in the grand scheme of things.

And in return, the alleged fraudsters at Goldman get to avoid – at least for the time being – a criminal investigation. And even if such an investigation becomes necessary at some later date, the evidence will be spoiled, so to speak. Our old friend Buck Revell, the Former Associate Deputy Director-Investigations for the FBI, put it this way in a letter last week to *The New York Times*:

It is very clear to me that the SEC charges should be held in abeyance and that the FBI and Justice Department should immediately open and vigorously investigate the apparent fraud that occurred in this situation. Goldman Sachs officials who approved of this insider manipulation including Fabrice Tourre the apparent creator of the Abacus-2007 fund should be the immediate targets of this criminal investigation; as should John A. Paulson, the apparent beneficiary of the fund and a party to its manipulation.

If the SEC proceeds in its Civil Case much of the evidence may be lost to a criminal proceeding. In my experience as an agent and senior executive of the FBI, who was in charge of criminal investigations, this case should go to the top of the FBI's priority list and receive immediate and intensive investigation of all potentially criminal acts that occurred in this apparent scam.

What else does Goldman gain? Well, there is the matter of the financial reform bill, which, while billed as a means to rein in Wall Street, may actually serve to further enrich banks like Goldman. The Competitive Enterprise Institute's John Berlau (a former correspondent for *Investor's Business Daily*) summed up the potential effects of the bill thusly:

Recall that during the financial implosion of late 2008, Goldman was not bailed out directly by taxpayers, but instead received tax dollars as a creditor of AIG. Goldman received \$12.9 billion in the "backdoor bailout" of AIG because of the credit default swaps it owned that AIG had insured. Goldman and other of AIG's counterparties were paid by the government 100 cents on the dollar in this bailout, whereas creditors in bankruptcy court often get less than 50 cents on the dollar.

So as American Enterprise Institute scholar and Financial Crisis Inquiry Commission member Peter Wallison puts it: "That act—paying off the creditors when the government takes over a failing firm—is a bailout. It doesn't matter that the management lose their jobs, or that the shareholders get nothing. When the creditors are aware that they will get a better deal with the failure of a large company than they will get with a small one that goes the ordinary route to bankruptcy, that is a bailout."

To top it off, the fees for the Dodd bill's resolution fund that would pay off a failing firm's creditors would come not just from banks but from a broad array of Main Street businesses. Stable life, auto and home insurance companies would have to pay into this fund to subsidize the failure of the next high-roller, and the fees they pay would likely be passed on in the premiums their policy holders pay. And the bill's definition of "nonbank financial company" is so broad that it could cover manufacturers only tangentially involved in extending credit, such as those that lease equipment to their customers. This would raise prices and cost Main Street jobs.

Who else benefits? Well, there is the Democratic Congress. The Democratic leaders have already insisted that they will run on a platform of Wall Street vs. Main Street, Big Guys vs. Little Guys. Now they not only have the "evidence" they need to prove the naughtiness of the big guys, they also have (as we note above) an extra impetus to pass "reform" and crack down on the naughtiness. Good for them, we guess.

Lastly, there is the grand architect of this reform, the thoroughly disgraced and thoroughly disgraceful Chris Dodd, who, by virtue of the indictment-cum-reform theme, will, at least in theory, get to leave town

claiming that he set things right on Wall Street and he managed to put the big boys in their place. (See, we told you there'd be more.) All of this is, of course, a load of horse hockey. But don't take our word for it. Consider the following from Chris Stirewalt, the political editor for *The Washington Examiner*.

If Chris Dodd hadn't been so cozy with the financial industry, he wouldn't have been hounded out of the Senate.

But if he weren't retiring, he wouldn't have a free hand to write the legislation to change the way the financial industry is regulated.

The financial industry built Dodd's career, so why shouldn't it profit from the demise of it? It's like a political credit-default swap.

It's a perfect fit for the Goldman Sachs era on Wall Street: No matter who loses, they win . . .

Though the president wants Dodd to drop a \$50 billion fund to cover the cost of future bailouts, he and Dodd agree that the idea of institutions being "too big to fail" should be codified in law.

If Dodd were running for re-election he would be under pressure to get tough on Wall Street. The Left wants the government to break up the big banks, and the Right wants to end bailouts permanently. But because he is on his way out, Dodd is free to ignore their demands.

Wow. So we're left with an indictment that definitely helps the Obama administration. Definitely helps Goldman Sachs. Likely helps the Democratic Congressional majority. And maybe helps Chris Dodd. So what's to know?

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