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In this Issue

The Debt-Ceiling Drama, Redux.

The Old Media and *The Wall Street Journal*.

THEY SAID IT

In Oldspeak it is called, quite frankly, "*reality control*." In Newspeak, it is called DOUBLETHINK, though DOUBLETHINK comprises much else as well.

DOUBLETHINK means the power of holding two contradictory beliefs in one's mind simultaneously, and accepting both of them. The Party intellectual knows in which direction his memories must be altered; he therefore knows that he is playing tricks with reality; but by the exercise of DOUBLETHINK he also satisfies himself that reality is not violated. The process has to be conscious, or it would not be carried out with sufficient precision, but it also has to be unconscious, or it would bring with it a feeling of falsity and hence of guilt. DOUBLETHINK lies at the very heart of Ingsoc, since the essential act of the Party is to use conscious deception while retaining the firmness of purpose that goes with complete honesty. To tell deliberate lies while genuinely believing them and to forget any fact that has become inconvenient, and then, when it becomes necessary again, to draw it back from oblivion for just so long as it is needed, to deny the existence of objective reality and all the while to take account of the reality which one denies - all this is indispensably necessary.

George Orwell, *Nineteen Eighty-Four*, 1948.

THE DEBT-CEILING DRAMA, REDUX.

If you think you're sick of this debt-ceiling "crisis" garbage, imagine how we feel. It's bad enough to have to look at these tiresome fools for weeks on end, but actually to have to write about them – again and again – is depressing, to say the least. Between the unctuous and suddenly press-conference-happy president and his apparently clueless opposition, the whole crowd reminds us of how wise the Founders were in framing a *federal* republic and how truly unfortunate it is that the Founders' wishes have been so severely perverted.

In any case, the most frustrating aspect of this conversation is that it is all about debt and deficits and whether to solve these twin problems through spending cuts or tax hikes. What is missing, of course, is that these ills, while *caused* by excessive spending, can only be cured in an economic climate of economic growth. Not to go all Jerzy Kosinski/Chauncey Gardener on you, but when there is growth, all will be well (in the garden and every place else). It really is just that simple.

As is only natural, given the monumental nature of the debt crisis that faces this country, thoughts have been turning of late to happier times, when the deficit was better controlled and, indeed eliminated, on paper at least. And many of those who were involved in the political process back then have been taking credit for making the deficits disappear, for balancing the budget, and for generally being better people than their successors. And who can blame them? They did banish the monstrous deficit, didn't they? They did make tough choices, and they were committed, and gosh-darnit, they did get the job done. Or so they say. Of course, what they "say" does not always line up precisely with what they did.

Not that this should surprise anyone. After all, the horn-tootin'est horn-tooter of them all is our old pal Bill Clinton, the "last president to balance the budget" and, on the off chance that you had forgotten, a man who will perhaps be best remembered for quibbling over the definition of a copulative verb. Bill wants you to know that he balanced the budget by raising taxes, restraining spending, and putting the country before politics and before himself. And if you believe that, he and Hillary may still be willing to let you in on a great land deal known as "Whitewater" that they put together with a couple of other crooks.

Of course, Clinton is not alone in claiming credit for making tough choices and restraining himself and being frugal. His Republican counterparts, who controlled Congress during the last half of the '90s, have also have claimed responsibility for the elimination of the budget deficits. *They*, not Bill, cut spending. *They* made the hard choices. *They* wrote the budgets and ran the campaigns and forced the President to concede that the "era of big government is over." This is *their* victory.

All of which is pure BS.

The Republicans then were bold and brash and . . . well . . . Republicans. They were better than the Democrats. And they did important things, most notably affecting the way in which Clinton governed. But they didn't exactly cut or even restrain spending. As Ed Crain, the president of the Cato Institute noted in article marking the end of the Clinton presidency, "the combined budgets of the 95 major programs that the [House Republican] Contract with America promised to eliminate have increased by 13%." And as we have noted before, about the only thing that Newt was able to shut down was the House barbershop. He and his fellow Republicans enjoyed being in power, and they enjoyed holding the purse strings. But they didn't hold them shut.

As for Clinton, his claims of responsibility are even less valid. His tax hike stunted growth, albeit not as much as we feared at the time, and his spending restraint was rather akin to his marital fidelity. He talked a good game, in short, but that was about it.

It is true that Clinton was able to cut some spending, but not the type of spending that can provide long-term relief from deficits, or that necessitated any sacrifice whatsoever of his own political "sacred cows." Clinton cut military spending as a result of the so-called "peace dividend," which Reagan and papa Bush "earned" by ending the Cold War, and which nevertheless came back to haunt the nation less than a year after Clinton's departure, when the post-9/11 defense-spending ramp-up was significantly greater than it would have been otherwise. And in any case, this cut in military spending was hardly responsible for eliminating the deficits.

Ironically, anyone who paid any attention at all to the fiscal goings on in the '90s already knows this. And sadly that doesn't seem to include anyone in Washington today, expect perhaps the leftie economist Dean Baker, who last week noted the following:

> The Washington press corps is living some bizarre delusion about the balanced budgets at the end of the Clinton years. They didn't come about from politicians making tough choices. They came about from much stronger than expected economic growth and the willingness of Alan Greenspan to ignore the economic orthodoxy and not shut down the expansion.
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> This can be easily seen by just looking at the projections from the Congressional Budget Office (CBO). In 1996, CBO projected that the year 2000 budget

> deficit would be $244 billion (2.7 percent of GDP). Instead the economy ran a surplus of $232 billion, or roughly 2.4 percent of GDP. This involves a shift from deficit to surplus of $476 billion or 5.1 percentage points of GDP. This would be equivalent to reducing the annual deficit by $750 billion in 2011.
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> While [current Ohio Governor and former House Budget Committee Chairman John] Kasich and NPR tell this shift from deficit to surplus as being the result of politicians making the tough choices to cut spending and raise taxes, this is simply not true. According to CBO, the net contribution to deficit reduction of Mr. Kasich's courage was minus $10 billion. In other words, the sum of the impact of legislated spending cuts and tax increases to the budget over this 4-year period was to add $10 billion to the deficit.
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> The main reason that the budget went from deficit to surplus was that the economy grew much faster than expected and unemployment fell much lower than the consensus in the economics profession said was possible. In 1996 CBO projected that the unemployment rate would be 6 percent in 2000. It was actually 4 percent.

Now, when Baker says that Greenspan "ignored" economic orthodoxy, what he means is that Greenspan ignored the Phillips Curve, and rightfully so. The interesting thing is that Baker – who is not always right about a great deal – is right in noting that Clinton, who pats himself on the back for all his brilliant economic policies, and Greenspan, who was widely heralded as the unquestioned genius of the '90s, actually set the foundations for the return of the deficits early in the Bush administration. Noting a recent hagiographical piece on Clinton in *National Journal* Baker writes:

> The piece has Clinton telling us how they did things right in the 90s with the idea that this will be a recipe for future prosperity. Incredibly the piece never mentions the stock bubble that was the economy's main driver at the end of the 90s. The collapse of this bubble, at the time the largest asset bubble in the history of the world, gave us the 2001 recession and the longest period without job growth since the Great Depression (until now).

That recession, of course, also brought the return of deficits. It turns out that bills are hard to pay when there is no money coming in. And when there is no growth and there are no jobs, there is no money. Yes, the Bush spending binge added significantly to the deficits. And yes the Bush tax cuts probably added somewhat to them as well, though a good, unbiased non-static model of the actual effects of tax cuts might suggest that this was less so than even the relatively small amount that is officially acknowledged. But the first hint of trouble was slow growth.

What this means, then, is that all the yammering in Washington about spending cuts and tax hikes is not just tiresome but destructively so. The folks in Washington should be talking about how to bring back economic growth. But they're not. They are talking about how much to trim here and how much to snip there. Or how and how much to stick it to each other politically. This is nuts, to put it mildly.

When we listen to the Republicans prattle on about taxes, they sound to us as if they are reading from the crib notes that they took at the last caucus meeting and wrote on the palms of their hands. They mention the economy and the need for investment and the foolishness of raising the tax burden during economically troubled times. All of which is true. But no Republican ever makes the case for growth, or goes on record noting that Obama's first chairperson of the Council of Economic Advisors, Christina Romer, assembled the definitive data base demonstrating the growth-stunting effect of tax hikes. No Republican ever argues that the existing tax code is inhibitory to growth and that it needs desperately to be reformed. No Republican argues that not only do we not need to raise taxes, but we actually need to cut them. No Republican ever makes the case that Obama's own euphemism – calling taxes "revenues" – makes it possible actually to win the game, to propose a plan to raise revenues over the long term while cutting tax rates by expanding the base and encouraging economic growth. No Republican, in short, has the courage of the convictions that fiscal "conservatives" and supply-siders are supposed to hold.

Moreover, while Republicans may not realize this, they have something of a credibility problem here. After all, they controlled most of government through most of the last decade, and they spent ridiculously and excessively, even adding a massive new entitlement. And now they want to cut? Sure, they argue that it's imperative now because Obama's spending is orders of magnitude worse than theirs was. But in this they sound like a typical opposition party: happy to spend the money when they control its destination, but not so happy when the other guys sign the checks.

The bottom line then is that unless the Republicans broaden the terms of the debate beyond the narrow issue of whether to solve the nation's economic ills by cutting spending or raising taxes, the dark cloud that is hanging over the nation and, even more importantly, over the bond rating agencies, will not go away. Why? Because no combination of these two "solutions" will create the kind of economic growth that is the only way out this mess.

In his column last week, the *Wall Street Journal's* Daniel Henninger cited the recent work of the Nobel laureate Robert Lucas, who has been wondering "why, if the recession officially ended in the first half of 2009, there hasn't been more growth in the U.S. economy," and "why this delayed recovery resembles the long non-recovery years of the 1930s." Lucas's answers are both telling and troubling:

> "Is it possible that by imitating European policies on labor markets, welfare and taxes, the U.S. has chosen a new, lower GDP trend? If so, it may be that the weak recovery we have had so far is all the recovery we will get."

The Obama-will-turn-us-into-Europe argument is a staple of the administration's critics. Prof. Lucas's intelligent speculation, however, carries the case beyond dinner-party carping.

The baseline reality for any discussion of where we're headed is that from 1870 to 2008, the U.S. economy has had average GDP productivity growth of about 3% and about 2% on a per-person basis. Despite displacements—wars, depressions—we've always returned to this solid upward trend. From 1870 till recently, real income per person has increased by a factor of 12—"an ongoing miracle," Prof. Lucas notes, "mainly due to free-market capitalism." . . .

The consensus assumption, however, is that the U.S. economy will return to its century-long growth trend. Prof. Lucas asks: "Is this really the case?"

Forgotten in most discussions of the U.S.-Europe comparison is that for the first 70 years of the 20th century, continental Europe's growth rose alongside that of the world-leading U.S. and U.K., especially after World War II. Through the 1960s, he says, there was every reason to expect a common, high living standard for all of us. Then, "in the 1970s, their catch-up stalled."

A 20% to 40% gap in income levels emerged between the U.S. and Europe, reflecting a lowered European work effort. In Prof. Lucas's view, that gap represents the cost (largely taxes) of financing a larger welfare state from 1970 onward. Other economists, he says, have cited a 30% loss in GDP per person in Western Europe since the 1970s.

> The U.S.'s projected long-term welfare costs, including the new health-care law, are the justification the Obama economists give for pushing spending to 25% or more of GDP. The tax increase the president is fairly shrieking for this week isn't for the August debt limit. It's for the next 25 years.
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> "If we're going to move to a European welfare state," says Prof. Lucas, "we're going to have to pay a European price." And that price could be a permanently lower level of GDP per person. The U.S.'s amazing 100-year ride would slow.

What Lucas is telling us is that the economic policies favored by the Obama administration – particularly with regard to spending – will make two things virtually impossible: full economic recovery and, as a result, elimination of the massive structural deficit.

It is important to remember, we think, when looking at this that it is not just the case that Europe has "fallen behind" the United States, but that many of its nations are indeed near the point of fiscal collapse, despite the fact that they probably carry less relative debt than does the United States.

As Michael Barone noted yesterday morning:

> The national debt [in the U.S.] as a percentage of gross domestic product has increased from a manageable 40 percent in 2008 to 62 percent this year and an estimated 72 percent in 2012. And it's headed to the 90 percent level that economists Kenneth Rogoff and Carmen Reinhart have identified as the danger point, when governments face fiscal collapse.

Nevertheless, the United States, at least historically and in theory, still possesses the potential to grow its way back into solvency. Greece, Italy, Ireland, Spain, Portugal – and even eventually France and Germany probably do not. The question is whether the United States will be able to match its historical record and live up to its theoretical promise. Robert Lucas seems to doubt it. We hate to say it, but we do too.

Now, one would think that this would make an impression on the likes of Barack Obama; that he would recognize that the key to maintaining the safety net that he claims is his principal goal in government is producing enough economic growth to pay for it. But he doesn't. The reason for this is debatable. We sometimes wonder if perhaps he wants to prove that his leftist parents and other mentors were correct when they told him that capitalism doesn't work. An alternative reason is that he naively believes that "fairness" trumps sound economics.

Obama's supporters have taken to laughing off the charge that he is a leftist or a socialist, claiming that his policies have been remarkably centrist. This is an argument of nuance, though, since Obama has been modestly centrist by necessity, given the conservative nature of the populace he governs. And still, by any measure, his accomplishments have been far to the left of any of his recent predecessors' and far to the left of the electorate itself. And though it is unarguable that the types of tax increases the President seeks would be detrimental in the short term to the economy and in the long term to the welfare state, he seems not to care, since his priority seems not to be the preservation of the welfare state as he pretends, but retribution against the capitalist classes he has always despised.

During the 2008 Democratic presidential primaries, Charlie Gibson asked Obama why he would want to raise capital gains taxes even though budget analyses had shown that such an increase would result in lower revenue for the federal government. In response, Obama let down the mask ever so briefly and responded that revenue is not what matters. What matters is "fairness."

As he negotiates with Republicans today over how best to handle the debt-ceiling and the nation's looming fiscal crisis, it is worthwhile to remember this about the President. To him, it's not about pluses or minuses, deficits or surpluses, gains or losses. It's about fairness.

In sum then, what Robert Lucas, Bill Clinton, John Kasich, Dean Baker, and all the rest are virtually screaming at us here, whether they know it or not, is that the debate going on in Washington right now is, quite simply, the wrong debate. Republicans are fussing about cutting this piddling amount or slashing that piddling amount when they should be talking about growth. Meanwhile, Barack Obama is making the case for "fairness" – which is a case for economic suicide in the name of ideological purity – and no one is calling him on it.

Unfortunately, as we noted last week, this disastrous debate will continue long after the debt-ceiling mess has been sorted out. Whether the Republicans stand tough, fold like cheap umbrellas, or cleverly weasel out of having to do either, the country's troubles are just beginning. Until someone, somewhere starts making a case for growth – both as an antidote to the deficit issue and as a slap at the ideological Obama – the economy will likely remain in the doldrums.

As Chance/Chauncey would have noted, "as long the roots are not severed, all is well and all will be well in the garden."

THE OLD MEDIA AND THE WALL STREET JOURNAL.

In 2007, when Rupert Murdoch's Newscorp acquired the *Wall Street Journal*, we were worried. We were not concerned that the dastardly Murdoch would destroy the *Journal* by turning it into one of his tabloids. Nor did we fear that he would "Fox-ify" the paper by making it over in the image of his much-maligned Fox News Channel. And we weren't even a little bit concerned that Murdoch would wield undue influence over the news coverage, or by the shameful and dangerous implications of such massive media conglomerations.

No, we were concerned that the *Journal's* enemies would, at some point or over an extended period, try to make the case that simply by being associated with Murdoch and Newscorp, the *Journal* was somehow diminished, that it was no longer quite as respectable as it once was and therefore no longer quite as reputable as a source of unbiased market news and hard-hitting but venerable conservative commentary.

On its face, such a charge would be – and is – garbage. Paul Gigot is still the editor of one of the best editorial pages and one of the most illustriously talented group of conservative writers around. Our friend Steve Moore (the *Journal's* economics editor and an editorial board member) is still one of the best and brightest economics writers in the country. Holman Jenkins is still a brilliant columnist. Mary Anastasia O'Grady is still the finest and most compelling columnist and writer on Latin American politics in print. And Pulitzer-prize winner Gerald Seib is still Gerald Seib. *Etc, etc., ad infinitum*. Indeed, in the four years since Newscorp took over majority ownership of Dow Jones and thus of the *Wall Street Journal*, that newspaper has remained an excellent and resolute source of news and commentary.

More to the point, as the editorial board of the *Journal* itself pointed out yesterday in a long piece defending the newspaper against some of the more scurrilous charges made against it, Newscorp has also overseen the return to profitability of the paper, at a time when its rivals are not so slowly but ever so surely losing their proverbial shirts. Newspapers throughout the country have been cutting costs, laying off staff, and even folding. In fact, the *Journal's* most prominent wannabe-rival, for one, the left-wing rag that presumptively claims to know which news is fit to print, has taken a severe beating, while the *Journal*, by contrast, has been *doing* the beating, beating the odds and making money.

Nevertheless, the recent scandals involving other Murdoch/Newscorp holdings in Great Britain, namely the now-deceased *News of the World*, have provided an excuse for the *Journal's* rivals to become more proactive and to step up their efforts to diminish the paper's reputation. A *New York Times* columnist called Joe Nocera, a hitherto little known "fair and balanced" feeder of raw meat to the ruling classes, boldly declared on Friday that the *Journal* was officially "Fox-ified" and insisted that it had been destroyed and overtly politicized by the right-wing goons at Newscorp. And while Nocera's column has been the most brazen attack yet, he has not been alone in attempting to tie the *Journal*, and the Fox News Channel, for that matter, to the British tabloid/phone hacking scandal currently engulfing its parent company.

So far at least, while these assaults on Newscorp's American flagships have been relentless, they have been weak and notably devoid of substance. But the very high stakes involved in the effort assure that they will continue and likely get dirtier in the process. The *Journal* has always been the solitary bulwark against the complete domination of the print media by the political left, and any success in silencing or at least delegitimizing it would be considered a great victory for the Left and a great tragedy for the Right.

Now, at this point, we must admit to our own bias. That being that we are great fans of the *Wall Street Journal*. The aforementioned Steve Moore is one of our favorite people in Washington and someone we've known so long that we used to refer to the 51-year-old as "our favorite *young* economist." There is nothing we look forward to reading more each and every day than James Taranto's "Best of the Web" column, published by the *Journal's* OpinionJournal web site. As we intimated above, we adore Mary Anastasia O'Grady and her coverage of Latin America. And Gerald Seib not only shares an alma mater with half of The Political Forum (The University of Kansas), but is also the brother of that half of The Political Forum's high-school basketball coach. In short, we'd miss 'em if they were gone.

But while we'd miss 'em – and nearly 2 million more would as well – we doubt very much that the marketplace of ideas would. For starters, each and every one of the talented writers and analysts would undoubtedly be able to find meaningful and productive work elsewhere, which is to say that they would still be able to communicate their thoughts, ideas, and opinions to the public at large. Second, and more to the point, there would be plenty of formats for them to do so. Yes, the *Journal* remains an important and respected voice in conservative commentary. But the media environment is evolving so rapidly and so constantly that we suspect that the newspaper's influence is already all but certainly diminished, simply by virtue of that environment, which is to say that any blow struck against it would hardly be as painful as we once feared or as fruitful as the likes of Joe Nocera are undoubtedly currently hoping.

Last week, the *Journal's* James Taranto noted that those who long for the return of the Fairness Doctrine in the hope of blunting Fox News and thereby blunting the conservative ascendancy are living in a fantasy world. The conservative ascendancy began with Ronald Reagan's election, while the Fairness Doctrine was still the law of the land. And it is was consolidated with the election of the Gingrich-led Republican Congress in 1994, *two full years before the Fox News Channel was even launched*. Fox News makes a convenient scapegoat for the left, which has seen its power diminished radically over the last three decades. But it is a poor and falsely satisfying scapegoat, one that serves merely to allow the left to avoid addressing the real source of its problems, namely a lack of connection with the majority of the American middle class.

A similar argument can, we think, be made here with regard to the *Wall Street Journal*. In the eyes of its print media rivals, the *Journal* is the bad guy, the rebel, the peddler of reactionary drivel. It is the conservative Pied Piper that has led generations astray and whose death will allow the American Hamlin once again to be free! Only that's just not true. The *Journal* is great, like we said. But its influence was probably always exaggerated and is now undoubtedly so. As scapegoats go, it is even less effective and more self-deluding than Fox.

Now, if – God forbid – something were to happen to the *Journal* – you'd still have, for example, Matt Drudge, whose site gets more hits every day than all of the major American newspaper web sites combined – *including that of the Journal*. You'd also still have the blogfather, Instapundit Glenn Reynolds, a Clark-

Kent-esque libertarian law professor from Tennessee who not only pioneered the medium of political blogging, but also aggregated a group-media-platform (PajamasMedia) featuring academic superstars like Victor Davis Hanson, journalistic superstars like Ron Radosh, and political superstars like Michael Ledeen, providing one-stop shopping for smart and plugged-in commentary and journalism. And that's just two web sites out of countless thousands waging the battles the *Journal* once waged virtually by itself.

And of course, you'd still have us . . .

Of course, no one can say how this drama will end. But we are optimistic. The mainstream, leftist media is on a downhill spiral across the nation largely because it is an antiquated propaganda machine. It relies on a technique developed by the French anti-Semite Charles Maurras in the late 19th century for use in his attack on Alfred Dreyfus and which was later described in detail by the inimitable George Orwell as "Doublethink." (See the "They Said It" section above.)

It worked extremely well throughout the 20th century when the sources of news and information were limited. But with the advent of the internet, it is losing its effectiveness, which explains why the old media so despise the new media and why governments at all levels in all places – including these here United States – are constantly seeking new and innovative means for controlling and restraining the internet. And if you, gentle reader, don't agree that the development of the new media and what Glenn Reynolds has called "An Army of Davids" is a source of optimism, then we will offer the following observation from one of the wisest of the dead white European males that the Left fears and despises.

It comes from Milton's remarkable *Areopagitica*, which was delivered in support of freedom of the press before the famous Long Parliament during the early days of the English civil war and was the inspiration for America's founding fathers' absolute guarantee of press freedom.

Milton's plea to the Presbyterian majority was for the revocation of the order requiring the licensing of printing in England. It went as follows:

> And though all the winds of doctrine were let loose to play upon the earth, so Truth be in the field, we do injuriously by licensing and prohibiting to misdoubt her strength. Let her and Falsehood grapple; who ever knew Truth put to the worse in a free and open encounter.