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THEY SAID IT

Madame Sosostris, famous clairvoyante,
Had a bad cold, nevertheless
Is known to be the wisest woman in Europe,
With a wicked pack of cards. Here, said she,
Is your card, the drowned Phoenician Sailor,
(Those are pearls that were his eyes. Look!)
Here is Belladonna, the Lady of the Rocks,
The lady of situations.
Here is the man with three staves, and here the Wheel,
And here is the one-eyed merchant, and this card,
Which is blank, is something he carries on his back,
Which I am forbidden to see. I do not find
The Hanged Man. Fear death by water.
I see crowds of people, walking round in a ring.
Thank you. If you see dear Mrs. Equitone,
Tell her I bring the horoscope myself:
One must be so careful these days.

T.S. Eliot, *The Waste Land*, 1922

DOMESTIC POLITICS 2012: THE CALM BEFORE THE STORM.

As you might expect, over the past few weeks, we have read any number of 2012 prediction pieces, most of them from people who, like ourselves, lean to the right side of the political spectrum. And nearly universally, the authors of these forecasts have expressed an expectation that this year will somehow be unique, that it will bring about some political, social, or economic change that will distinguish it from its predecessors in an important and dramatic way.

We doubt it. As far as we can tell, 2012 will be much like any number of years before it.

It will be like last year in the content of its political discourse, i.e. overheated rhetoric, completely extraneous subject matter. It will be like the last ten years in its economic results, that is subpar growth and below-average job creation. It will be like every year in anyone's memory with respect to fiscal policy, which is to say that the federal government, the states, and the municipalities will spend far more than they take in, adding to the already enormous deficit and ever-ballooning debt. And it will be like just about any presidential election year since 1984, when many voters will find no vehicle for the expression of their concerns, while the political class will make all the decisions that matter, with a disastrous outcome – no matter what that outcome might be.

Now, we should note that this is not to say that we do not believe that 2012 will be unimportant. Actually, precisely the opposite is true. The status quo, which our old friend Bob Feinberg once defined as “the mess we’re in,” cannot hold forever. And those who are expecting it to change or are hoping for some relief

In this Issue

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The Calm Before the Storm.

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will, we suspect, come to see 2012 as the proverbial straw that broke the camel's back. Or, to mix our metaphors quite gruesomely here, 2012 and its relative ordinarieness will be the calm before the storm of 2013.

Forecast #1: The Republican presidential nomination will go to the same guy it always goes to, the guy whose turn it is to be nominated.

An old political truism has it that Republicans nominate for president whoever is next-in-line. The reason this is a “truism” is because it's true! With the exception of 2000 – in which there was no “next guy,” so the party nominated the son of its last serving president – in every presidential election since 1968, the GOP has followed this placid pattern, while making a whole lot of unnecessary noise in the process. Nixon lost in '60, but wanted another shot. So he got it. Ford was an appointed incumbent, but he was an incumbent nonetheless. So he too got his shot. Reagan was the guy who battled Ford all the way to the convention in '76 and who had, therefore, earned the “next-in-line” designation. And the rest, as they say, is history. Bush, of course, was Reagan's VP and had been his principal primary challenger in '80, so he too got his chance. Dole was the VP nominee on Ford's ticket in '76, he had run in '80 and '88, and he had even beaten George HW Bush rather soundly in Iowa in the latter contest. John McCain was George W's chief rival in 2000, thereby earning his shot in '08.

And that brings us to. . . Willard Mitt Romney, the son of Michigan Governor George Romney, the former Governor of Massachusetts, the onetime savior of the winter Olympics, and the only one of John McCain's 2008 foes who decided to give it another run. Mitt Romney has been running for president nonstop now for five years. He lost last time around. He decided to give it another go. So now it's his turn. Mitt Romney will, therefore, be the Republican nominee for the President.

Never mind the Planned Parenthood survey from his Massachusetts days on which he affirmed his support both for *Roe V. Wade* and for public funding of

abortion. Never mind RomneyCare and his ongoing support for that law's health care mandate, which was the blueprint for Obama Care. Never mind his prattling nonsense about climate change, social justice, and other tropes of the Left. Never mind that he is squishier than a flaming marshmallow. Mitt, Mitt he's our man!

Get used to it.

Now, it's not that Romney is a particularly great, inspiring, or popular candidate. He is none of these. He just happens to be the guy in the right place at the right time, which is to say that he is fortunate not to be any of the other guys.

Seriously, look at his “competition.” There's the GOP's crazy old uncle in the attic, the guy who is still ticked off at Lincoln for freeing the slaves and Roosevelt for saving “the Jews.” There's the guy from Texas who makes his predecessor as governor of that state – George W. Bush – look both eloquent and bookish. There's the new flavor-of-the-week, Rick Santorum, a guy who until about ten days ago was unknown by most of the people in the country and who lost his last election, in his home state, by 18 points. And then there's Newt, whom we want to love, who continues to demonstrate that the breadth and depth of his knowledge of policy far surpasses those of any of his opponents (including Barack Obama), but who apparently now thinks it's a crime against humanity to start a business and to make money running it. Next thing you know, ol' Newt will be chanting about how Mitt is a “1-percenter” and organizing the “Occupy the Mormon Tabernacle” movement.

In short, then, Romney may be less than ideal, but to a plurality of primary voters, he will probably appear less less-than-ideal than any of his rivals.

A handful of commentators – again, mostly conservatives – have suggested that Romney's relative unpopularity could change the entire complexion of the nominating process this year. As the author, editor, columnist, and famous neocon

scion John Podhoretz noted last week, “Romney is unquestionably the weakest party front-runner in contemporary political history.” Many insiders think that this means that the primary picture could get muddled, that the GOP might be looking at the first relevant national convention in decades with a “draft” movement or a brokered convention that pulls one of the more likeable conservatives off the sidelines and into the campaign.

This, we will concede, would be great theater and great fun. But it is not gonna happen. Sadly, this is just so much wishful thinking on the part of dispirited conservatives. They know that Romney is not one of them and, moreover, that he represents everything about the ruling class in this country that is contrary to the energy, the spirit, and the needs of the party at this critical juncture. And they want desperately for him somehow not to be the nominee. But he will be. Like we said above, get used to it.

Forecast #2: This will be among the ugliest presidential campaigns in recent memory, with the Democrats in particular pulling out all the stops to hold on to the White House.

In case you haven't heard yet, every Republican is a closet Klansman. It's true. At least this year it is. And in the case of Mitt Romney, he's already out of the closet, so to speak. At a rally a few weeks ago, Mitt made the mistake of saying that he'd like to “keep America America,” meaning that he'd like to maintain that which is great about this country, including its free markets and generally capitalistic system. Of course, some lefty blogger heard it as “keep America American,” which, as it turns out, is an old Klan slogan. This blogger ran with it. It was picked up by MSNBC, *The Washington Post*, and various other mainstream news outlets. *Et voila*, Mormon Mitt is a Klansman. MSNBC and *The Post* eventually apologized for . . . well . . . being themselves, but the smell lingers.

In an election cycle in which race has become a huge club with which the Left and the mainstream press (same thing, we know) beat Republicans, you can expect more of this. And then more of it. And then even more. The Tea Party is racist. Congress

exercising its oversight responsibilities over the Justice Department is racist. Anyone demanding that voters be who they say they are is racist. *Etc., etc., ad nauseam.*

Not that race will be the only ugly matter in this campaign. Four years ago, the candidates' religion was out-of-bounds, mostly because then-Senator Obama didn't want to have to talk about his “spiritual guide” and friend Reverend Jeremiah “God Damn America” Wright. This time around, religion will not be so taboo, mostly because it will serve Obama's interests for the matter to be discussed. But not by him directly, of course.

We know, for example, from the trial balloons sent up by Obama surrogates last fall, that Mitt Romney is too “weird” for America. He even has magic underpants, according to the left-wing comics and late-night talk-show hosts. That's how Mormons are. You s'pose he watches “Big Love” on HBO? You think he's ever seen any talking salamanders? All of this and more will be used to plant the seed that Mormons are far different – too different – from “regular” Americans.

There will also be the usual rich vs. poor attacks (more on which in a minute), the smart vs. dumb attacks, and a whole host of other assaults on Mitt and his running mate from the Left. The Republicans will fight back, of course, and will fight back in kind. But to do so is difficult in that it tends to play into the Democrats' hands and to fit their charge of racism. All of which is to say that Romney will be left mostly saying “Oh yeah? Well . . . you're bad at this” and hoping that conditions continue to prove him right.

That's not much of a strategy, we're afraid. But we're also afraid that it's the best he has. Which brings us to . . .

Forecast #3: The incumbent president, Barack Obama, will be re-elected.

We know that this is a dicey call. In fact, we're pretty sure that most of the big-shot prognosticators will look at the President's numbers and conclude that he doesn't have a chance. Unemployment hasn't improved enough. The economy is still growing, but

slowly, and with the ever-present threat of recession returning, even as most people don't believe the recovery ever began. Independents have abandoned the guy in droves. Democratic Party identification is at its lowest point in measured history. Everything points to Obama being a one-termer. Or as Don Surber of the *Charleston Daily Mail* put it, summarizing the latest Gallup numbers:

While the debates of last night and today focus on the Republican candidates for the president, the Democratic nominee is in trouble. Gallup polls in the week between Christmas and New Year's Day showed voters were not in the holiday spirit when thinking about His Excellency.

His overall approval/disapproval numbers were 42% approval/49% disapproval

Elections are won in the states. Right now it looks like a bloodbath.

His approval is 52% in the East.
And 40% in the South.
And 40% in the West.
And 40% in the Midwest

That means a Republican could get 355 Electoral College votes if the election were held today — the most Any Republican has received in 24 years — going back to 1988 when George Herbert Walker Bush carried 40 states and received 426 Electoral College votes.

That sounds pretty awful! The guy must be in terrible trouble! He'll not only lose, but lose badly. Bloodbath indeed.

Well . . . we don't believe it. To paraphrase John Paul Jones: He has not yet begun to fight! And when he does, it will get nasty.

If you want to get an idea of what the upcoming general election campaign will look like, then we suggest taking a look at two precedents. The first of these is George W. Bush's reelection campaign in 2004. Recall that Bush, like Obama, was considered the "most vulnerable incumbent" in a generation. And many of the big shot political prognosticators said he was as good as gone and that John Kerry would be the next president. Recall as well that a big reason for this expectation was that Bush, again like Obama, had lost the support of independent voters who, as every big shot political prognosticator will tell you, decide elections. Only in Bush's case, the independents didn't decide. The Republican base did. And the Democratic base will decide this year.

Most people assume that such a strategy is impossible for Obama — or for any Democrat — given that the Democratic base, the self-identified "liberals" in the country, are notably less in number than the self-identified conservatives. That's a problem, we suppose, but hardly one that's insurmountable. The difference, you see, is that Obama's base is more motivated — far more. To them this is more than just an election for the next president. This is life and death. It's about life as they've come to know it over the last five decades and whether they will be able to preserve it. And to that end, they will do whatever they need to do.

And this brings us to the second precedent on which the Obama reelection strategy will be built. Consider:

Two years ago, in these very pages, we began warning you, gentle reader, that dark days were ahead and that the country was headed for some rather significant internal strife. Specifically, we put it this way:

Gird your loins, ladies and gentlemen, and beat the drums of war. It is coming. As surely as the sun rises in the east and Bill Clinton digs interns, war is coming. And as war always is, it will be ugly and destructive. And when it's over, everything will have changed.

This won't be a war against a foreign aggressor or an existential and nebulous attacker. It will be a war within the states, a civil war. And like the previous civil war, it will pit brother against brother and father against son. The hostilities will rage for years and will destroy families, friendships, and maybe even governments.

If all of this sounds a little cynical and more than a little over the top, then we apologize. But many years ago, we recognized the wisdom of our old friend Bob Feinberg's comment on his own track record as a Washington forecaster, i.e. "the only time I'm ever wrong is when I'm not cynical enough." In fact, once when someone asked Bob the color of a car that was sitting down the street, he responded, "Red. On this side." . . .

Like nearly all wars throughout history, this one will be about resources and their scarcity. As the resources run out, competition for them will increase. And as competition increases, hostilities will commence. Truth be told, they've already begun.

The proximate cause of this war – or wars, really – will be the inability of government to sustain itself in its current bloated condition. The fact of the matter is that government at all levels in this country has grown too large too fast and will simply be unable to maintain its massive girth. At current levels of taxation, there simply are not enough resources available to maintain the bloat that plagues the federal and especially the state and local governments. Something is going to have to give.

Not long after we wrote those words, Scott Walker was elected Governor of Wisconsin, John Kasich was

elected Governor of Ohio, and the various factions in this country began to fight in earnest over resources. The problem, of course, is that these newly elected Republican officials didn't realize when they started fiddling around with budgets and negotiating rules and other minutiae of public sector employment that the other side would, in fact, be getting ready to "fight," in some cases, quite literally. The unions will not rest until the results of Walker's election are overturned. The governor himself believes that many of the "protestors" in his state would like to see him harmed, killed even. Already John Kasich's reforms have been killed, overturned by voters in a referendum last fall. If Walker's reforms can be defeated, then unions can claim victory, can issue a warning to any other would-be reformers, and can expect the status quo to remain unchanged.

Obama will, we believe, win re-election by engaging this battle directly; by promising his supporters that he will be their paladin, their General, their Horatius at the Bridge; that he will fight against all odds and against common sense for their "rights" and their share of the diminishing pie.

It is important to note here, we think, that the Democratic base is comprised almost *exclusively* of people who stand to gain from a perpetuation of the status quo in the allocation of public resources and who stand to lose big from reform. Teachers, higher education professors and instructors, other public employees, minorities, the poor, and the political class more broadly speaking. These are Obama's supporters. This is his base. And these are the men and women on whose support he will count to return him to the White House.

Another important factor to note here is that Obama will be perfectly open in his pandering to this constituency, promising that he will stand for "honoring the commitments" that the United States has made to its citizens, never acknowledging for a second that these "commitments" are, in many cases, unreasonable and undeliverable. He will turn this campaign into one over the question of "fairness" and "decency," of the "haves" being asked to give up just

a little bit for the “have nots.” In short, he will wage a class war in which he will define the makeup of the classes. And he will do so openly and proudly.

He will also, by definition, be compelled to do so dishonestly, since the “obligations” he intends to keep are simply unkeepable (to coin a word). Look, the debts owed by the federal government of the United States are staggering. The national debt – not counting entitlement obligations – is roughly \$10.5 trillion. That’s approximately 2/3 of the entire GDP of the nation. And that’s the *good* news. Add in entitlement commitments and the level of debt is simply mind-boggling. On the Friday before Christmas – the day when the Obama Administration knew it was most likely to be missed – the General Accounting Office (GAO) released its figures on the financial condition of the nation. And the numbers were just shocking – particularly with regard to the net present value of the obligations held by the federal government in connection with its two largest entitlement programs, Medicare and Social Security. Bryan R. Lawrence, the founder of Oakcliff Capital, put it this way in a *Washington Post* piece the following week:

In fiscal 2011, the cost of the promises grew from \$30.9 trillion to \$33.8 trillion. To put that in context, consider that the total value of companies traded on U.S. stock markets is \$13.1 trillion, based on the Wilshire 5000 index, and the value of the equity in U.S. taxpayers’ homes, according to Freddie Mac, is \$6.2 trillion. Said another way, there is not enough wealth in America to meet those promises.

Try, for a minute, to get your head around that: the debt is not \$10.5 trillion, but more in the neighborhood of \$44 trillion, which is to say almost 300% of GDP, or more than double the approximate wealth in the country at the moment. And note, as Lawrence points out, that this number presumes a *best-case* scenario, including the completely ludicrous notion that Congress will terminate Medicare’s so-called “doc-fix.”

Note as well, that this is just the federal government’s obligations and doesn’t even begin to address the issues with the states, counties, and municipalities, the level of government at which most of the Obama voters’ “promises” will or will not be kept. By most estimates, combined state and local debt obligations run another \$2.5 trillion and state and local pension funds are, according to most estimates, underfunded, in the aggregate by as much as another \$2.5 trillion. All of which is to say we’re talking about another roughly 33% of GDP in state and municipal debt that is simply not generally accounted for in discussions about the “debt,” but which will affect the Obama voters far more directly than almost any other debt calculation.

In the meantime – while Obama is revving up the class-warfare machine, agitating the public-sector workers, the minorities, the poor, and the rest of what is left of the New-Deal coalition – the Republican candidate, whoever he is, will be trying to make nice, will be trying to promise a little of this for this constituency, a little of that for that constituency, and little of a third for another, never quite understanding that he’s about to get his head kicked in.

This is NOT an election where independents are going to carry the day. Independents are going to crawl back in bed, pull the sheets over their heads, and scream “a pox on both your houses!” And while the left-wing base is excited to win and preserve its privilege, the right-wing base will be dispirited at the prospect of putting all its energy into a candidate who will, at best, be marginally better than the left-wing incumbent. The right-wingers won’t do it. And the left-wing incumbent will win.

Forecast #4: The Republicans will, nonetheless, retain the House and pick up the Senate.

When we said at the top of this piece that 2012 would be an entirely typical year, we lied. Barack Obama will prove to be the rare winning president with no coattails whatsoever, as Republicans manage the improbable feat of increasing their majority in the House and taking control of the Senate, even as the Democrat wins a second term.

The reason for this is simple. Unlike the presidential contest, local voters, organizers, officials, and activists will have a significant say in choosing candidates to run for open slots in the Republican House and Senate nominating contests. And that means that they will pick candidates who are more like them, who are more likely to understand their concerns, who are less likely to think that soft-centrist consensus-building is the key to success, and who are thus more likely to generate enthusiasm. These candidates will, throughout the country, outperform the GOP presidential nominee. And they will do well.

The Republican Party certainly has its problems, and those problems will – as we will argue in later essays – be exacerbated by this year’s presidential contest. But most of those problems begin and end with the national party and its various apparatuses. Mitt Romney, Newt Gingrich, Rick Santorum, and yes, even Ron Paul are products of the national party. And they are, therefore part of the problem, not part of the solution. The solution will come from the grassroots. And it will come, at least in this election cycle, in the form of House and Senate candidates who do well enough to hold and take the respective majorities and, in so doing, stymie the legislative agenda of the second Obama term.

Of course, in so doing, they will sow the seeds for some of the problems that we noted above will plague 2013. But that’s another story for another day . . .

Forecast #5: At some point during the year, a conservative politician will state the obvious about the growing “income disparity” in this country and will be ignored at best or pilloried by the media and the Left at worst simply for speaking the truth.

We don’t have the time or the space to go into this issue in depth here, but it is clear that the folks on the left want desperately to make “income disparity” a signature issue for the campaign and perhaps beyond. They should be careful for what they wish.

The fact of the matter is, as we have said before, that the culture and economics are more than merely intertwined, that they are, in fact, the same thing.

As the late, great Daniel Patrick Moynihan pointed out before he lost his *cojones* and started standing for election, the federal government’s attempts to alleviate poverty in the black community were worse than unsuccessful; they were destructive. Government subsidization of bad behavior incentivized that behavior, which is to say that cash payments to broken families created more broken families, which in turn necessitated more cash payments, creating more broken families. Dependency begets dependency and, moreover, generates, rather than alleviates poverty.

In the 1960s, we learned this the hard way via the breakdown of poor and minority families. But the meddling, the damage, and the generation of poverty did not stop there. When the culture broadly moved away from monogamy and away from the idea that marriage was and should be a lifetime commitment, it damaged not only the middle-class mores and values but also the economic well-being of the middle class. It apparently never occurs to the Occupiers of Wall Street and their intellectual progenitors that the “end of the middle class” as they put it, began about the same time that the sexual revolution and the coarsening of relationships had taken hold in the broader culture and especially among the middle class.

Today, marriage as a permanent institution is largely an *upper-class* phenomenon, with the poor *and* the middle classes eschewing the tradition either entirely or through divorce. And the economic damage wreaked upon poor minority communities by government-induced family-breakdown a generation earlier has likewise been wreaked upon the middle-class by culture-induced family-breakdown. The single greatest predictor of childhood poverty is the marital status of the child’s parents. And yet Robert Reich and the like prattle on endlessly about how the destruction of the middle class and its slow slide into poverty is the result of a loss of manufacturing jobs and a decline of unionization and about how the solution is to tax the “rich” more. That’s just nuts.

When presidential wannabe Rick Santorum says that you can’t have strong economy without strong families, he’s brushing up against the point, but not quite

hitting it directly. Someone other than he – maybe in his defense, maybe not – will come closer to the mark this year and will make the argument that the middle class is disappearing because marriage is disappearing among those who used to be middle class. The “1-percenters” raise their kids in intact homes. Pointing this out, though, will earn the politician who does so a lifetime of enmity from those who wish it weren’t so – for a variety of reasons.

Forecast #6: “Out of Left Field” prediction: There will be a third party presidential candidate. It will not be Ron Paul. And he will do surprisingly well.

Ron Paul represents something strange in American politics, a real and profound desire for something different. Like many other conservatives, we have some serious problems with some of his positions. And if it’s still relevant, we’ll explain why at a later date. But the fact of the matter is that his presence, his popularity, and his ability to draw conservatives, independents, and erstwhile liberals to his candidacy demonstrates that there is a deep and abiding discontent with the current political class as it is comprised.

A third party candidate other than Paul is, we think, likely to try to harness that discontent in this election cycle and try to do the unthinkable by dislodging the

two major parties. He will not succeed, for obvious reasons. He will be either a celebrity, a self-financed candidate, or both, who is used to “getting things done” by doing things himself. Neither of these archetypes will satisfy the discontent. Indeed, they might exacerbate it.

When the curtain closes on 2012, we expect that the nation will be primed for a rather abrupt and rather fierce outbreak of partisan, intra-partisan, and supra-partisan discontent that could play out in any number of different ways next year. The Ron Paul movement is the warning sign. An independent candidacy will be a second warning sign. An Obama victory over a milquetoast Romney – in short, a reiteration of the status quo – will be a third sign. Taken together, they will point to a rocky 2013.

2012 may superficially prove to be rather boring. But don’t let that dreariness fool you. Straw on the camel’s back; calm before the storm; whatever you want to call it, 2012 will be a prelude to something significant in the history of this great land. In the meantime, enjoy the dull and tedious.

Happy New Year, everybody.

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