

The Political Forum

*A review of social and political trends and events
impacting the world's financial markets*

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[Editor's note: When this article was first published 16 years ago it was preceded by the following paragraph.

“Regular readers know that Mark Melcher's hyperactive imagination occasionally slips its harness and frolics across the eco-political landscape making rude noises at the natives. Again this week we ask your indulgence.”

This was intended by the editors to be a cute way to note that the following “interview” with President Bush was fictional. I thought at the time that this was an insult to readers. I assumed that they would recognize the story for what it was— a literary device that helped me explain in an entertaining way what I thought the president really thought about the issues of the day.

It turns out, the editors were right. You see, the publication was sent not only to institutional investors of “highly moderate intelligence” but to a large number of retail brokers, many of whom – despite the prominent note displayed at the beginning of the piece – were quite excited about the fact that ‘their man in Washington’ had been granted an exclusive and remarkably candid interview with the President himself. And so it goes.]

A CANDID INTERVIEW WITH GEORGE BUSH: PART I

Mark L. Melcher

Two weeks ago, I, and a half dozen or so other civic-minded Americans, watched with interest as British TV superstar David Frost conducted the first major hour-long televised interview with George Bush since he became president. Frost did a fine imitation of Barbara Walters and asked a whole bunch of dumb questions. I got to hear Barbara Bush speak about how great it is to be First Lady, to see their dog Millie, and to hear George tell about his horseshoe game. All in all, I learned a lot.

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The next morning, however, after the euphoria of the event had waned, I began to feel disappointed over how little of substance I had retained. Must have been the excitement, I said to myself.

Musing on this, I decided I should interview George myself. So I called the White House and asked for a chat. I was told the President had the afternoons of September 11th, 12th, 13th and 18th open, and the morning of the 15th. They said the 16th and 17th were out; that George is always busy on the weekends. We settled on the 12th and George agreed with my request that he be brutally frank in his answers. No flimflaming.

The following is being made available exclusively to clients of the firm. It is a verbatim transcript of the economic policy portion of the interview. The next two issues of this publication will contain the foreign policy and domestic political discussions.

Me: Mr. President, this fiscal year the on-budget deficit will be about \$165 billion, up from \$155 billion in fiscal 1988 and \$150 billion in fiscal 1987. Added to a record off-budget deficit of \$122 billion or so, the total deficit this year will be at an all-time record high of over \$283 billion. Does this worry you?

The President: Well ... ah, what did you say your name was?

Me: Mark.

The President: Oh yes, Mark. Well Mark, as you know I don't control spending, Congress does.

Me: (Interrupting) Ah, Mr. President, you agreed to cut the crap. Remember? This interview is for a audience with highly moderate intelligence.

The President: Oh yes, that's right. Well, quite frankly, I am worried about the deficits. But the brutal truth is I don't have the foggiest notion what to do about them. And Barbara and I have a rule. We don't worry about things we can't control.

From a strictly political standpoint, however, I think we have actually made some important gains in dealing with the deficits during my term. We now think that a majority of the public and members of the financial community no longer feels the deficits are a big deal. If we're right, and I believe we are, at least from reading the newspapers we get that impression, then we've come a long, long way in addressing the deficit thing. (Smiling)

Me: The Democrats are highly critical of your war on drugs. They feel you're not proposing to spend enough on the problem.

The President: Well, as you know, ah ... Mark, there really isn't much more I can do. As I have already said, the budget right now is tighter than a gnat's ... ah, well, tight, you know. The \$7.9 billion I proposed to spend next year is about all we can come up with right now. The fact is that the Democrats, left to their own designs, couldn't come up with much more. Believe me. All their talk about spending more is mostly doodoo.

Me: Well, sir. I know you have said you will not raise taxes. But, if the drug problem is as bad as you said it is in your speech the other night, in need of a major war and all, wouldn't it be a good idea to raise taxes and spend more? I mean, you said this is the biggest problem the nation faces.

The President: It's clear from the kind of questions you're asking that tax and spend issues are on your mind. So let me just get a few things straight right away concerning taxes.

There are three reasons I do not want to raise taxes. The first is that the Democrats will simply spend the money and the deficit will remain high. They control both Houses of Congress and whether you believe it or not, I really cannot control the spending cycle enough to assure that funds from a tax increase would be applied to the deficit or to certifiably worthwhile pursuits. I have been around this town for a long time and I can tell you that the congressional propensity to spend on pork barrel projects has never been higher than it is today.

The second reason I don't want to raise taxes is that I believe a tax increase right now could easily send this economy into a tailspin. Finally, I do not want to raise taxes because the public doesn't want its taxes raised.

Me: Well then, how about a real effort on budget cuts.

The President: Listen, for the time being, there isn't a prayer of cutting anything significant out of the federal budget. Not a prayer. I harp on the subject not in hopes of cutting spending, but in hopes of keeping it down as much as possible. Every item in the budget today has survived eight years of intense pressure. The programs that remain are true political survivors.

Me: What about defense spending? Aren't there savings there?

The President: Well, there is no question that defense spending will come down. But, it will be a slow process, largely because of the jobs provided by big military projects. We can't even close down a few unnecessary military bases because of the politics involved, for crying out loud. And look at the trouble we're having stopping production of the F14. Reducing defense spending will be a slow process, I assure you. And whatever savings there are won't help the deficit anyway; we figure at least five dollar's worth of new budget demands await every dollar's worth of military reductions that are achieved.

Me: Then there's no hope for deficit reduction. Tax increases are out and the budget can't be cut. Does that worry you?

The President: Barbara and I don't worry about things we can't control.

Me: But what about all the problems the nation is facing? Besides the drug problem, what about crime, a failing educational system, the proliferation of cocaine babies, the environment, nuclear waste, the homeless, and a deteriorating infrastructure. What about these things? Where will the money come from?

The President: Mark, Mark, Mark. My gosh. Let me tell you about politics. Politics is not economics; economics is not politics. Politics is tradeoffs. I try to do something about all those problems you just named, I got to get the money from somewhere. So I got to balance whether the people I get the money from are more important to me politically than the people I'm trying to help. More importantly, I got to decide whether the people I help will give me the credit or give it to the Democrats in Congress. And usually the credit lags the deed. So you make a lot of people angry when you take their money and by the time the money does any good, I'm thrown out of office.

So, I give speeches. And a little money. I can't solve those problems, especially with a bunch of Democrats running Congress, none of whom will even consider any approach to those problems short of expanding the welfare state or increasing the bureaucracy. And those things don't work. The best I can do is try not to be blamed for all the things that are wrong out there.

This administration follows one simple rule. You may not like it. It may not be the best rule for all circumstances. But it's consistent. That rule is that I don't want a recession. I get through four years without a recession, I'm a hero, no matter what I do about that other stuff. Or so long as I do something. Or at least look like I'm doing something. As I said, I can't solve those problems anyway. It can't be done no matter how much federal money I spend. I throw a lot of money around, raise taxes and all, and I won't have solved the problems and I may very well cause a recession in the meantime.

Anyway, the link between those problems you mentioned and the electorate is not as strong as Democrats want to believe. And that's why they keep losing presidential elections. The link between Washington and the electorate is the economy, pure and simple. The economy. If I don't solve the drug problem in the next four years I don't think I'll get any more blame than the Democrats who control Congress. If there is a recession in the next four years, I will get the blame. Pure and simple.

I am concerned about one thing and one thing only right now. That is the short-term economic health of this nation. That doesn't mean I don't care about the environment, the poor, the drug problem, the homeless and all those other things. Gee whiz. I wouldn't be an American if I didn't care. But, those things will only get worse if we have a recession, not better. And if I pursue federal solutions to those problems too aggressively, we'll have a recession. And I'll tell you something, if we have a recession, I'm likely to get thrown out of office. Then how would I address these problems? Answer that.

Me: What if we have a recession?

The President: If we have a recession, we're all in deep doodoo.

Me: Do you not think we eventually will have one?

The President: Look, the liberals are fond of saying things like: "We can go to the moon, why can't we clean up the environment? We can go to the moon, why can't we solve the nation's drug problem? We can go to the moon, why can't we ...etc. etc. etc." Well, let me ask one. We can

go to the moon, why can't we go forever without a recession? I mean if everyone cooperates, why can't we?

Me: For months sir, rumors have circulated that Dick Darman is working on a "grand compromise" between the administration and the Hill on reducing the deficits. Can you tell me if such a plan is in the works and what it might include?

The President: Of course such a plan is in the works. Dick Darman is a self-confessed workaholic. Of course he's working on a "grand compromise." For crying out loud, what else would he be doing with all those 18-hour days over at OMB?

Me: Can you tell me about it?

The President: Well, you certainly heard about Dick's speech to the National Press Club a few months ago in which he railed against ... ah, let me see, what was it he called it? ... ah, let me look, I've got it written down somewhere ... oh, here it is, he railed against "cultural now-now-ism." Good huh? Anyway, that's what we are against and that would be the foundation of our deal with Congress.

Me: Oh. Well, could you be a little more precise.

The President: Well, basically, we're against (reading here) "the nation's cultural shortsightedness, the public's obsession with the here and now, the failure of the public to look ahead into the future, the public's obsession with the near term." Pretty good, huh? Anyway, that's what we're against. You know you just can't run around worrying about the present, you gotta look ahead. You know?

Me: Yes sir. Ah ... I guess I understand. Anyway, how does that affect the "grand compromise" we were discussing?

The President: Oh. Yeah. Well Dick would like to cut a deal for a big round of "sin" tax increases--alcohol, tobacco--and put in place some savings incentives, in exchange for a guarantee from Congress that the money won't be spent on lots of big, dumb welfare state programs and a guarantee from the Fed that they will keep money loose over there. Then, of course, we'd like to drive the dollar down to help the trade deficit.

Me: That would reduce the deficit and eliminate "now-now-ism?"

The President: Sure.

Me: Wow! What do you think the chances are for such a deal?

The President: Oh, I don't know. You know Dick, he's always working on something. Frankly, I think we'd probably need a crisis to get a deal like that. Times are so good right now, it's kinda hard to get Congress to deal. And, of course, we've got an election coming up.

Me: By a crisis, I assume you are talking about a recession. Could he get such a deal if we had a recession?

The President: Well, it might be tough, you know, to raise taxes during a recession. Especially consumption taxes. And the dollar part of the plan. Who the hell knows about the dollar?

Me: Doesn't this worry you?

The President: Well, you know, as I said, Barbara and I don't worry about things we can't control.

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