

The Political Forum

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

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It's A Dickey World After All

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Well, well. It's "Fearless Forecast" time once again, and what a wonderful time to be making predictions. Everything is up in the air. Congress is grappling with what to do about America's true-life version of George MacDonald Fraser's unforgettable fictional character, Flashman; Independent Counsel Ken Starr is implying that Ms. Hillary Rodham Clinton isn't out the woods herself; Congress is entering a new year Newtless; the launching of the Euro is only weeks away; Japan is searching for a new economic formula; Russia is disintegrating; and Bill's pal Yassir is preparing to declare a Palestinian state.

Needless to say, I am not particularly confident that I can successfully predict the consequences of these and other matters that are hanging in the balance around the world. But the exercise provides a fine opportunity to explore the circumstances involved in each. So here goes.

#1 Forecast #1: Bill Will Become But The Second President To Be Impeached, Though The Effort Will Fail Quickly In The Senate. My first forecast is that Bill will be impeached by the House, the action will die in the Senate, and he will emerge from the process as popular as ever.

There appears to be little question that the Judiciary Committee will vote out at least one article of impeachment. My guess is that it will pass in the House with a few Democratic supporters and a few GOP dissenters. This is, of course, not good for Bill. But, to borrow a line from Bill Nye, it is a little like Wagner's music, it isn't as bad as it sounds, for the effort will die quickly in the Senate, and Bill will be back in business before you know it.

You see, under the rules, Chief Justice Rehnquist will preside over Bill's Senate trial. The prosecutor, most probably Judiciary Committee Chairman Henry Hyde, will present the case to the Senators, who will sit as jurors. With one exception, Senators will not be allowed to speak or ask questions, except through the chief justice. That exception is that any senator at any time may move to permanently adjourn the trial. If this motion passes on a simple majority, the trial

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ends. What's to know? Are there six GOP senators who would welcome the opportunity to "put it all behind us?" Do bees buzz?

Any outcome short of Bill's being thrown from office will be hailed by White House spin doctors, and by a majority of Americans, as vindication. And the mainstream media will view it as another reason to heap scorn on the Republicans, who leftist legal guru Alan Dershowitz contemptuously described recently as "constitutional purists."

There is, of course, talk from both sides of the aisle about passing a censure resolution. Proponents of this idea say that, since there is no chance that Bill will be booted, the shame of censure is the only real punishment available.

I think censure would turn out to be a godsend for Bill. Not only would it provide formal closure to the "Monica" issue, but it would allow him the opportunity to "humbly accept" his "punishment" in the kind of nationally televised, prime time, contrition-and-tears, bite-the-lower-lip speech that is his forte. As far as shame goes, Bill has proven time and again, he is impervious to it.

The Republicans are dumb enough collectively to go along with a censure resolution. But I think they will be saved from their own stupidity by a few members who are adamantly opposed, and by the fact that it will be impossible to draft a statement that could gain bipartisan support.

#1 Forecast #2: Blessed Gridlock Will Persist. Congress will be gripped throughout 1999 with what I began describing in 1992 as "blessed gridlock," a malady greatly favored by the financial markets.

As was the case this year, Republicans won't have the clout to cut taxes and the Democrats won't have the clout to boost spending by too much. The year may begin with a lot of talk about bipartisan cooperation "to solve America's problems," but it will, I believe, quickly turn into an exercise in partisan squabbling, as it becomes apparent that neither side has much to gain by compromising on the big issues, such as "saving Social Security" and improving public education.

Barring a hard-hitting recession, both parties will use 1999 and 2000 to test positions in preparation for the 2000 election, which everyone agrees will be the most important in decades, since the party that captures the White House is almost certain to win control of both houses of Congress.

#1 Forecast #3: Scandals Will Also Persist, But With Little Impact. I think the scandal front will continue to be active in 1999, but I don't think it will cause too much trouble for Bill or his party.

There has been considerable talk that Independent Counsel Ken Starr will indict Ms. Hillary Rodham Clinton early next year, but frankly I doubt it. Starr is not an adventuresome prosecutor. He would go directly after Mrs. Clinton only if he had an ironclad case, and I don't believe he has it.

She could be in serious trouble if her former law partner Web Hubbell turns state's evidence in response to Starr's threat to send him back to the hoosegow. This could happen some day. But I don't think it will happen in time to indict Hillary next year, which is our time frame this week.

It is possible that Starr will indict a few other Clinton insiders, such as Bill's sidekick Bruce Lindsey. My guess is that the only person who would care would be Bruce Lindsey. Like the cad he is, Bill would quickly find another "best fiend" with whom to play hearts late into the night. *C'est la guerre.*

There is an outside chance that things could heat up a bit for the Clintons if Starr quits in the spring as he has said he might. No matter who took his job, he or she couldn't possibly be more timid than Starr has been about pursuing the close calls and sweating the little guys in order to catch the big ones. And it is possible that his successor might have the guts to go down some alleys that Ken has been too fainthearted to explore. If I were the Clintons, I'd be begging Ken to hang around for another year or so.

Congressional Republicans will work diligently all year to uncover proof that the Clinton administration is guilty of serious campaign financing abuses, most especially as regards foreign donors. And it is likely that they will meet with some successes. Goodness knows, with all the smoke around there must be some fire somewhere.

The question is whether it will matter. And the answer is, probably not. The public today has a very high tolerance for political corruption. This means that the only place the GOP could score points on the ethics front is in the courts, and that's pretty tough to do when the important actions would have to go through the Clinton Justice Department, which is packed to the gills with Clinton loyalists who, from all appearances, share his ethical laxness and highly nuanced view of such arcane concepts as "right" and "wrong." Once again, *c'est la guerre.*

#1 Forecast #4: The EMU Will Start Strong But Fade Fast. The Euro will come under heavy pressure by year-end.

The new currency will open the year strong and be greeted with much fanfare and worldwide good wishes. And why not? The Europeans have been killing each other on a grand scale with monotonous regularity, like some malignant form of cicadas who periodically crawl out of the earth in a murderous, cannibalistic frenzy, ever since Charlemagne's grandkids, Lothair, Ludwig the German, and Charles the Bald (my personal favorite), divided Europe into three parts via the Treaty of Verdun in 843. (Psst! These people once fought something called "The Hundred Years War," which actually lasted 116 years.)

So now they are all one big happy family? Why shouldn't the world rejoice? Hallelujah! Can you believe it?

No? Well, neither can I. A smart, charismatic, European nationalist, whose brain hadn't been scrambled by Marxist nonsense, might be able to pull it off; that is, if the world economy cooperated. But the new Europe will be run by soft-headed, socialist "planners," who inspire no one.

Von Mises described the type over 50 years ago as being “fascinated by the plan to transform the whole world into a bureau.” Hayek, another of the great Austrian economists, predicted in 1944 the course these guys would follow.

It is not difficult to see what must be the consequences when democracy embarks upon a course of planning which in its execution requires more agreement than in fact exists. The people may have agreed on adopting a system of directed economy because they have been convinced that it will produce great prosperity. In the discussions leading to the decision, the goal of planning will have been described by some such term as "common welfare," which only conceals the absence of real agreement on the ends of planning . . . Then it will appear that the agreement on the desirability of planning is not supported by agreement on the ends the plan is to serve. The effect of the people's agreeing that there must be central planning, without agreeing on the ends, will be rather as if a group of people were to commit themselves to take a journey together without agreeing where they want to go: with the result that they may all have to make a journey which most of them do not want at all.

And where will this journey go? Hayek said it leads inexorably to government by “experts.”

It may be the unanimously expressed will of the people that its parliament should prepare a comprehensive economic plan, yet neither the people nor its representatives need therefore be able to agree on any particular plan. The inability of democratic assemblies to carry out what seems to be a clear mandate of the people will inevitably cause dissatisfaction with democratic institutions. Parliaments come to be regarded as ineffective "talking shops," unable or incompetent to carry out the tasks for which they have been chosen. The conviction grows that if efficient planning is to be done, the direction must be "taken out of politics" and placed in the hands of experts--permanent officials or independent autonomous bodies.

And in which direction will these “experts,” “permanent officials,” and “autonomous bodies” take them? As any schoolboy knows, Hayek said they would take them down “The Road to Serfdom,” which means economic stagnation and the sacrifice of personal freedom to the interests of the state.

I am not saying here that Europeans will have achieved “serfdom” by the end of next year, although many of them have a pretty good start already. But I do think the currency markets will have figured out by then that all is not well in the “lala land” where Herr Lafontaine is considered to be a serious “economic leader.”

Space doesn't allow me to develop this point, but I think there is a delicious irony in the fact that the pressure on Europe's new “planners” will, when it comes, not emanate from the “capitalists” but from the labor unions, or more specifically from the very working men and women whose interests the socialist “planners” purport to represent.

#1 Forecast #5: Russia Will Continue To Degenerate. Russia will be worse off this time next year than it is today.

I have written extensively recently about Russia, so I won't dwell on the situation there this week, except to repeat a prediction that I have made numerous times in these pages, beginning with a March, 1993 piece entitled "Russian Update: Does The Absence Of Absolute Power Corrupt Absolutely?"

That prediction is that somewhere in Russia's future there lurks a charismatic, energetic, nationalist leader who will make the Russian people an offer they can't refuse; namely, the offer of order in exchange for their freedom and the promise to restore Russian "greatness" in exchange for their individual hopes and dreams.

This is not a novel thought on my part, of course. It is borrowed from Burke, who as he watched the French revolution decay into chaos predicted the coming to power of Napoleon almost a decade before the bloody Corsican appeared on the scene. He put it this way.

In the weakness of one kind of authority, and in the fluctuation of all, the officers of an army will remain for some time mutinous and full of faction, until some popular general, who understands the art of conciliating the soldiery, and who possesses the true spirit of command, shall draw the eyes of all men upon himself. Armies will obey him on his personal account.

I'm not saying that this will happen in 1999. And I am not at all certain that the individual involved will be a "popular general." But I do think that by the end of next year, the economic and social situation in Russia will have deteriorated to the point where only a "strong man on a white horse" can prevent the nation from sinking into what Milton described as a "Rein of Chaos and old night."

#1 Forecast #6: Japan Too Will Continue To Crumble. Japan will be no better off at the end of next year than it is today.

This is, so far as I can tell, pretty much a consensus forecast, so I won't elaborate on it, except to point out, as I have in several pieces this year, that the Japanese economy isn't likely to revive unless and until the corruption embedded into its banking and industrial communities via the keiretsu system is eliminated. Corruption is inefficient, and in large quantities it is severely debilitating both economically and socially.

#1 Forecast #7: The Middle East Will Explode, With Bill And Company Abandoning Our Traditional Ally. The editorial dictum governing this "Fearless Forecast" issue suggests that each contributor include an "out-of-left-field" prediction, identified as such. So let's try this three-part job.

● Sometime next spring the confrontation between Israel and the Palestinians over Yassir Arafat's insistence on declaring a Palestinian state will force the Clinton administration to unambiguously choose sides.

● When this occurs, Bill will side with Yassir, arguing, as Mrs. Clinton projected he would earlier this year, that a Palestinian state is both inevitable and desirable, and that Israeli Prime Minister Benjamin Netanyahu is being stubborn and willfully antagonistic.

o This action will mark a permanent shift in the Democratic party's policies toward Middle Eastern affairs in favor of the Arab positions.

To anyone who has been paying attention, it has been apparent that this shift has been underway ever since Bill came to Washington. It reflects a variety of circumstances. Among the most important of these is the excellent job that the Arab-American community and the "moderate Arab states" have done in building political ties with the Democratic Party, and most especially with Vice President Al Gore.

Clearly, there are big risks involved for the Democrats in moving toward an obviously more pro-Arab position, given the huge support that the American Jewish community has traditionally given them, both financially and at the polls. But Bill is betting, probably correctly in my opinion, that a deep commitment to liberalism, a distaste for Bibi and Republicans, and a sentimental belief in the "peace process" will overcome any lingering concerns among Jewish liberals that Israel is being stabbed in the back. And when the war starts, they will all blame Bibi. *C'est la guerre.*

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