

The Political Forum

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

Mark L. Melcher
Publisher
melcher@thepoliticalforum.com

Stephen R. Soukup
Senior Editor
soukup@thepoliticalforum.com

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Hey Republicans, Wake Up And Smell The Nuts

Mark L. Melcher
Stephen R. Soukup

Last week, I began by declaring my belief that the 2000 election will be the most important in nearly half a century. Citing a *Wall Street Journal* column by Paul Gigot, I wrote that “the GOP margins are now so narrow in both the House and the Senate that the party that gains the White House in 2000 will almost certainly win control of both legislative bodies.”

It is far too early to speculate seriously on the results of this race. But I thought this week I would discuss the implications of a Democratic win, in light of remarks I have heard recently from some friends and clients that such an outcome wouldn't be all that scary for the financial markets since “we are all centrists now.”

When Bill Clinton was elected in 1992, he came to Washington full of left-wing schemes and ideas, including a plan to nationalize the nation's entire health care system, a “fiscal stimulus” package that would have added tens of billions of dollars to federal spending, and the largest tax increase in U.S. history.

Congress went along with the tax increase, but it rejected much of the proposed new spending, and killed the health care plan entirely. And in 1994, voters sent a clear message of disapproval to Clinton's leftist agenda by electing the first Republican Congress in forty years.

Let it never be said, though, that Bill is not adaptable. Immediately following the 1994 elections, he allowed as how he was and always had been a political centrist, and he began aggressively co-opting numerous Republican themes. He supported welfare reform, free trade, and targeted tax cuts. He put Social Security reform on the table and delivered the first balanced budget in some thirty years. And, perhaps most importantly, he openly declared that the “era of big government is over.”

In short, Bill moved the rhetoric and the agenda of his party to the center, and in so doing made himself one of the most popular presidents in recent memory. In the process, he convinced a

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The Political Forum

8563 Senedo Rd., Mt. Jackson, Virginia 22842
Tel 540-477-9762, Fax 540-477-3359, Email melcher@thepoliticalforum.com,
or visit us at www.thepoliticalforum.com

majority of Americans that, on economic issues at least, there is little difference between Republicans and Democrats.

That point was driven home during the election early this month when, contrary to the media's post-election spin, GOP losses did not come at the hands of women or minorities, but from the huge number of individuals earning more than \$100,000 per year who defected from the GOP in droves.

The interesting thing about all of this is that at the very time that Bill began reinventing himself and his party as died-in-the-wool centrists, House Democrats were beginning the process of becoming extremely radicalized. This shift has gone largely unnoticed by the public, the media, and even the Republicans. Yet it shouldn't surprise anyone, since the vast majority of the 50 or so House seats lost by the Democrats since 1994 were occupied by relative moderates. This had the effect of elevating the party's leftist extremists to key positions of power.

Now I know what you're thinking here. You're thinking, here goes Melcher and his buddy Soukup placing labels on Democrats based purely on subjective criteria modeled on their own biases. Who says the House Democrats are more radical now? What yardstick are you guys using to measure radicalism anyway?

Well, in the words of Peter, Paul and Mary, the answer my friend is written on the wind, or more precisely in cyberspace, at www.dsausa.org/dsa/dsa/pc/pc.causus.html. This is, in case your wondering, the website for the "Progressive Caucus" of the U.S. House of Representatives. The "dsausa.org" in the address refers to the Democratic Socialists of America (DSA), which describes itself on its own website as "the largest socialist organization in the United States, and the principal U.S. affiliate of the Socialist International."

The Progressive Caucus boasts a membership of 58 House members. That's well over one-fourth of the House Democrats. The organization, according to its "Statement of Purpose," supports "further cuts in outdated and unnecessary military spending, a more progressive tax system in which wealthy taxpayers and corporations contribute their fair share, and a substantial increase in social programs designed to meet the needs of low-and-middle-income American families." In pursuit of this agenda, it says it works closely with a coalition of organizations, called the "Progressive Challenge."

The Caucus' home page refers readers who are interested in a more comprehensive look at the views of its members to three related websites. They are "The Progressive Promise (full text)," "DSA's 12-point Progressive Agenda," and "Progressive Challenge's Fairness Agenda for America." We won't burden you with extensive quotes from these sites. But just to provide a flavor of the beliefs of this crowd, here are some proposals from the 12-point "Progress Agenda" and the eight-point "Fairness Agenda."

Among other things, these agendas endorse: expansion of affirmative action to encompass "class based criteria;" elimination of "tax breaks for companies that provide excessive executive compensation;" "revisions in trade agreements to allow communities to enact strong environmental and labor laws;" prohibition of "private campaign contributions;" a ban on covert intelligence operations; "a massive public works program;" "drug treatment on demand;"

federally funded “education programs to combat racism;” a ban on striker replacement; “substantially equal funding to all children;” a federal “lesbian and gay civil rights bill;” legal action to “require banks to provide loans for community development;” legal action to require that “a portion of bank and S&L capital be set aside for affordable housing;” and the protection of Social Security from privatization.

These ideas, and dozens of others like them, are described as offering a “‘fair shake’ to all Americans.” The costs associated with this “fair shake” will, according to the “Progressive Agenda,” be offset by a 50% reduction in defense spending and the institution of “a progressive tax system by lowering payroll taxes and restoring the highest tax bracket to its 1977 levels [i.e. 70%].”

In short, I think it is fair to say that this group represents the wacky left at its wackiest. It also represents the ideological power base of the House Democrats. Not true? Well, get this. If the Democrats, whom Bill has fought so hard to portray as centrists, were in control of the House today, David Bonior, a Progressive Caucus member, would be House Majority Leader, and the following other members of the Progressive Caucus would head these respective committees.

Charles Rangel (NY) – Ways and Means
Henry Waxman (CA) – Government Reform and Oversight
John LaFalce (NY) – Banking and Financial Services
John Conyers (MI) – Judiciary
George Miller (CA) – Resources
George Brown (CA) – Science
Lane Evans (IL) – Veterans Affairs
Nydia Velazquez (NY) – Small Business

In other words, the number two man in the House leadership, as well as the Chairpersons of 42% of standing committees in the House, including Ways and Mean, Banking, Government Oversight, and Judiciary, would be . . . socialists.

That’s right. Socialists. Despite the economic, social and environmental nightmare created by socialism in both the Soviet Union and China, the figurative death of Keynes, and the Clinton administration’s push to the center, socialist bilge still thrives among Democrats in the U.S. House of Representatives. And should the Democrats retake the House in 2000, socialists would be ensconced in the some of the most powerful positions in Congress; by people who, one can assume, ascribe to the following manifesto, as stated on the DSA website.

We reject an international economic order sustained by private profit, alienated labor, race and gender discrimination, environmental destruction, and brutality and violence in defense of the status quo.

We are socialists because we share a vision of humane international social order based on both democratic planning and market mechanisms to achieve equitable distribution of resources, meaningful work, a healthy environment, sustainable growth, gender and racial equality, and non-oppressive relationships.

The good news in all of this is that even if Democrats were to win the White House and both houses of Congress in 2000, it is extremely unlikely that virtually any of the Progressive Caucus agenda, as outlined above, would make it into law.

The first to pounce on any administration that made a serious attempt to pass such a passel of economic nonsense would, in my opinion, be the nation's 75 million or so baby boomers. This happy gang of the most dedicated materialists that the world has ever known are, as we all know, up to their "relaxed-fit" rear ends in equity investments, which would almost be in free fall if it really looked as though the Progressive Caucus' ideas were on their way to becoming law. Next, in my opinion, would come a fusillade of outrage from economist Ed Yardeni's notorious "bond vigilantes," which would stop the economy in its tracks.

In short, the Democratic Party would have to learn once again what Bill learned the hard way in the first two years of his administration. First, that the nation's 75 million baby boomers, driven by what Burke described as "enlightened self interest," are becoming extremely chary of higher taxes, bigger government, and nutty socialist schemes as they approach middle-age amid worries about the adequacy of their retirement savings. Second, that you don't fool with the bond market when you are in charge of a government that owes \$5 trillion.

In my opinion, the bad news in all this is, as history has demonstrated time and again, that a small band of rabid socialists can do a lot of damage to an economy and to a society, even if they don't get their way on legislative initiatives.

The one thing that the left always has in abundance is energy and dedication, which counts for a lot in politics, and this crowd is no exception. This was readily apparent last week during the Judiciary Committee's first day of impeachment hearings, when Progressive Caucus members (John Conyers, Barney Frank, Jerrold Nadler, Sheila Jackson Lee, Maxine Waters and Robert Scott) joined together to noisily and aggressively change the subject from Bill Clinton's culpability to Ken Starr's.

So the bottom line is, as we said last week, the presidential election in 2000 will be immensely important to the nation and to the financial markets. While the two parties appear to be moving toward the center on a host of issues, this movement is, in my opinion, largely chimerical. In reality, the forces on the extreme left of the Democratic party are gathering substantial political power, which virtually assures, I think, that the party won't remain long in the center when Bill, the tour guide who took them there, leaves the bus.

If I am right about this, the future of American politics does not portend a happy gathering of lions and lambs reminiscent of Hick's famous "Peaceable Kingdom" painting. Instead, a political showdown with the extreme left lies ahead.

As I said earlier, I am reasonably comfortable that the left will lose. But as a Republican I'd feel better about it if I thought that someone in the GOP had a little backbone. As Eric Hoffer, the great American longshoreman-philosopher, said in his first book, *The True Believer*, when going into a fight with true believers, it is best to have a few on your own side.

Unfortunately, there are few “true believers” in the GOP ranks today. As we saw during the budget debate last year and during the November elections, for the most part, they are weak intellectually, shallow ideologically, and political cowards, most especially those in the leadership positions. In my opinion, they need to wake up and smell the nuts. They’re everywhere.

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