

# The Political Forum

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

---

Mark L. Melcher  
President  
melcher@thepoliticalforum.com

Friday, January 10, 2003

## A REPRINT FROM A PIECE PUBLISHED SEPTEMBER 21, 1983

### PYTHONIAN ECONOMICS

Mark L. Melcher

*"Let him step to the music which he hears, however measured or far away. "*

Henry David Thoreau

Well, Washington's whole drum and bugle corps took Thoreau's advice last week. Politicians and policymakers alike borrowed a bugle, picked out their favorite drummer, and went marching merrily down the street like a scene from "Monty Python's Flying Circus."

Senate Finance Committee Chairman Robert Dole appeared to be one of the few people in town who was in step. He pointed out, to the surprise of absolutely no one, that there is virtually no chance Congress will act on a \$73 billion tax increase called for by the congressional budget resolution. Continuing to belabor the obvious, Dole said significant action on the deficits would probably not be taken until after the 1984 election. He then called on the Democrats for help in addressing the issue responsibly before them.

The leader of congressional Democrats, Rep. Tip O'Neill, replied there was nothing he could do, he was only Speaker of the House. He said he favored the moribund budget resolution. "We have already come out with a tax plan and the President killed it," O'Neill said. "Any tax bill will have to come from the President."

The top Democratic contender for President, Walter Mondale, said there was nothing he could do either. But if elected, he said, he had a plan. Part of that plan would be to raise taxes on the "well-to-do." Then, in a statement not designed to make one feel comfortable about Mondale's grasp of the American psyche, he said he felt that "most wealthy Americans are a little embarrassed by the amount of tax cuts they have received." Sure Walter.

Meanwhile, President Reagan's Treasury Secretary Donald T. Regan said he didn't think the deficits were responsible for the nation's high interest rates anyway. He suggested that

---

Subscriptions to The Political Forum are available by contacting:  
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](http://www.thepoliticalforum.com)

economists who think so should "climb down from their celestial observatories and acquaint themselves with terrestrial fact."

President Reagan's Council of Economic Advisers Chairman Martin S. Feldstein, clearly marching to a different drummer from Treasury Secretary Regan's -- whether on a celestial path or not is unknown -- said without equivocation that the "reason for the very high level of long-term real interest rates is undoubtedly the unprecedented level of budget deficits."

Finally, George McGovern's wife said she wouldn't run if drafted -- or something to that effect.

Lest anyone wonder what the fife player at the head of the parade was doing during all of this, we have only the quotes from White House Deputy Press Secretary Larry Speakes to go by. Speakes said he didn't think the President had stated a position on whether a decline in deficits would bring lower interest rates. "That's a matter economists can debate until the cows come home," Speakes said.

The President feels, Speakes continued, that Congress should lower the deficits by lowering spending. As to whether deficits impinge on interest rates, the President could probably give both sides of the argument, Speakes said.

When told that President Reagan had said during the campaign that high deficits caused high interest rates, Speakes responded that interest rates have been cut in half and the deficit has doubled.

"Well, was he wrong, Larry?" a reporter asked.

"No, he's never been wrong," was the reply.

That should make everyone feel better.

The IMF funding bill -- perhaps one of the most important pieces of legislation before Congress -- is awaiting the outcome of Senate floor action this week on the Eximbank authorization bill. Both chambers have passed a version of the IMF funding legislation, but the House bill contains Eximbank authorization and the measure can't go to conference until the Senate acts on Eximbank funding.

Both pieces of legislation are very controversial and subject to opposition from the right and the left. Reports that Mexico is considering making loans to Cuba to help finance Mexican exports to that country presents a new roadblock to IMF funding. Both the IMF and the Eximbank are active in providing funds to Mexico and the thought that these funds might aid Mexico's support for Cuba is troubling.

The final outcome is much in doubt. Supporters of the IMF and Eximbank were heartened by a statement from Treasury Assistant Secretary Marc Leland, who said that if the measure didn't pass, "we'll just keep coming back and asking. It has to pass."

Knowledgeable observers say it will probably come down to a decision by President Reagan as to whether he wants the bill bad enough to accept a great deal of expensive baggage demanded in the House, such as new housing programs and jobs measures.

As one member said, "Whenever Congress doesn't want to pass something, but knows it has to -- it adds pork."

### **Through The Looking Glass: Notes On The 1984 Election.**

O Probably one of the most important factors in the 1984 presidential election will be whether John Anderson chooses to run. Leading pollsters and politicians say Anderson could garner 8%-10% of the popular vote in 1984, with from 75%-85% of that share coming from persons who would have voted for the Democratic candidate. This would translate into some 7.5-9.5-million votes, with from 5.7-8.1 million coming out of the hide of the Democratic candidate.

Enhancing the importance of this, potential Anderson voters tend to be upper-middleclass suburban and professional-class moderates, including large numbers of feminists and environmentalists. A third-party candidacy aimed at these groups could diffuse their aggregate importance, thus greatly helping the Republicans, who fear the impact they could have if united.

Anderson is clearly gearing up to run, although Democrats are still hopeful they can persuade him not to. However, because he gained 7% of the popular vote in the 1980 election, Anderson qualifies for several million dollars in federal election funds, a sum that must look appealing to him and to his wife Keke -- they enjoyed themselves greatly last time around traveling through the United States campaigning.

O Jesse Jackson's proposed run is not as damaging a prospect for Democrats. In fact, it might prove beneficial to the party. The difference between Jackson and Anderson is that Jackson will run as a Democrat in the Democratic primaries and his campaign could energize black voters throughout the nation, especially in the South. This strength would then be brokered at the Democratic convention in exchange for concessions from the party candidate, presumably in the form of black presidential appointments.

Approximately 10-million black voters are registered in the United States out of a pool of about 17 million who are old enough to vote. Some 7 million voted in 1980. Estimates vary, but it is not unreasonable to assume that an active Jackson candidacy in the primaries could help add 1.0 million to 1.5 million black votes to the rolls in 1984. Of course, most of these would be Democratic.

Two things should be said. One, Jackson's primary race could hurt Mondale, since Mondale would count on black primary votes aiding him in his race against John Glenn.

Second, the total impact of additional black voters will be mitigated somewhat by an expected white backlash in the South. This counterforce would gain strength during the presidential campaign if Jackson's demands on the Democratic Party, in exchange for his full support, included the partial dismantling of white-dominated southern Democratic infrastructures.

Remember that Reagan beat Carter among white southerners by five to four. The White House feels it can do much better this time against a nonsoutherner, especially Mondale. This would soften the impact of a greatly increased black vote in the South.

O A word to those optimists who are still waiting to receive the \$1,000 check George McGovern promised them in the form of a tax rebate the last time he ran for president. Don't spend the money yet. McGovern's announcement of his candidacy left many wondering why. One political pundit speculated that either "his balloon has no string, or the demand for his services on the rubber chicken lecture circuit had diminished and he needed a little national publicity to bolster it."

---

**THE POLITICAL FORUM**

Copyright 2002. The Political Forum. 8563 Senedo Road, Mt. Jackson, Virginia 22842, tel. 540-477-9762, fax 540-477-3359. All rights reserved. Information contained herein is based on data obtained from recognized services, issuer reports or communications, or other sources believed to be reliable. However, such information has not been verified by us, and we do not make any representations as to its accuracy or completeness, and we are not responsible for typographical errors. Any statements nonfactual in nature constitute only current opinions which are subject to change without notice.