

The Political Forum

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

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LET US GO THEN, YOU AND I

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I confess that I did not watch Bill Clinton's Second Inaugural Address last week. The Sunday night before had been bitter cold in the Shenandoah Valley, where I had spent the week-end, and since four of my heifers had given birth the day before, I spent much of that Monday with my grandson making certain that the new calves were alive and well, getting hay out to the new mothers and the soon-to-be new mothers, and searching the woods to see if any additional births had occurred during the night.

But I read the speech the next day along with a number of op-ed pieces about it and, of course, I heard it discussed on CNN. For the most part, it received negative reviews. The most liberal commentators seemed to be the most critical. Todd Purdum of the *New York Times*, for example, appeared to have incorporated in his column every negative comment he could find, including one from William Leuchtenburg, a "liberal graybeard" historian at the University of North Carolina, who said that the speech was "the most banal address by an American president I have ever heard."

Personally, I didn't think it was such a horrible speech. I liked the fact that it was short. And I like it when Democrats talk about smaller government. I think that liberals just don't like to hear a president, particularly "their President," talk about a "humble government," or a "government that is smaller, lives within its means, or does more with less." In fact, many were still complaining several days later, which is why I thought it would be all right for me to discuss the issue this week.

The biggest disappointment I had with the speech was that it contained no poetry. Several news articles said that Bill had been perusing lots of poetry anthologies while writing the address, and I had been anticipating some stirring lines.

I know that he was looking at poems because I distinctly remember that he interrupted his stay at Camp David on the Friday morning after Thanksgiving for a quick, "unexpected" helicopter ride

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back to the White House in order, Michael McCurry said, to pick up "some volumes of poetry not available to him at Camp David."

I remember this because that was the morning that they found the half naked dead lady locked in her office at the Commerce Department, where she had worked in the International Trade Administration for presidential fundraiser extraordinaire, John Wang. I remember this because some members of the "right-of-center mainstream media," which is the White House description for such newspapers as the *Wall Street Journal* and the *Washington Times*, thought there might be something suspicious about the whole thing, especially since, according to the AP, "a preliminary autopsy was unable to determine the cause of death." But then, of course, that's silly. Isn't it?

Anyway, I had anticipated some poetry. I didn't expect T.S. Eliot, but I had thought maybe we'd hear some Henley.

In the fell clutch of circumstance
I have not winced nor cried aloud.
Under the bludgeonings of chance
My head is bloody, but unbowed.

Or perhaps Kipling.

If you can keep your head when all about you
Are losing theirs and blaming it on you. . . .

Frankly, I think a little of Auden's haunting poem "The Fall of Rome" might have been appropriate. After all, the speech was part of a \$42 million extravaganza that included fancy dress balls and a public evisceration of Newt Gingrich for what amounted to a minor tax infraction. And it was given in a surreal city that is in a state of advanced economic and spiritual rot; a city that is run by a convicted drug dealer; a city where the crime rate rises almost daily; a city where the schools are a cesspool of drugs and crime; a city full of unhappy and unproductive bureaucrats; a city that, despite all of this, calls itself the "the Capitol of the free world."

The piers are pummelled by the waves;
In a lonely field the rain
Lashes an abandoned train;
Outlaws fill the mountain caves.

Fantastic grow the evening gowns;
Agents of the Fisc pursue
Absconding tax-defaulters through
the sewers of provincial towns.

Private rites of magic send
The temple prostitutes to sleep;
All the literati keep
An imaginary friend. . . .

Caesar's double-bed is warm
 As an unimportant clerk
 Writes I DO NOT LIKE MY WORK
 On a pink official form. . .

Altogether elsewhere, vast
 Herds of reindeer move across
 Miles and miles of golden moss,
 Silently and very fast.

Anyway, I missed the poetry. I love poetry. I like the idea of the President of the United States sitting before a fire in Camp David reading Prufrock.

Do I dare eat a peach?

And Hillary curled up beside him reading Christina Rossetti.

Oh where are you going with your love-locks flowing
 On the west wind blowing along this valley track?
 The downhill path is easy, come with me an it please ye,
 We shall escape the uphill by never turning back.

Or, Anna Wickham.

Alas! for all the pretty women who marry dull men,
 Go into the suburbs and never come out again,
 Who lose their pretty faces, and dim their pretty eyes,
 Because no one has skill or courage to organize. . . .

. . . .
 I have to thank God I'm a woman,
 For in these ordered days a woman only
 Is free to be very hungry, very lonely. . . .

. . . .
 We, vital women, are no more content
 Bound, first to passion, then to sentiment.
 Of you, the masters, slaves in our poor eyes
 Who most are moved by women's tricks and lies,
 We ask our freedom. In good sooth.
 We only ask to know and speak the truth!

The most interesting thing to me, however, was how so many of the critical commentators asserted, in one way or another, that they hadn't expected a good speech from Clinton, since, in their opinion, in times such as these, when the nation faces no crisis, truly great speeches aren't given. The only political guru who apparently didn't have low expectations was NBC's resident intellectual, Maria Shriver, who confidently predicted before the speech that the words that Clinton was about to utter "will change people lives."

Frankly I doubt whether any lives were actually changed by Clinton's words, unless NBC has reconsidered Ms. Shriver's role at the network after listening to her banalities. But my guess is they thought she was wonderful. In any case, it is worth pointing out, I think, that it is simply not true that good times prevent the delivery of good speeches. It is true that history rarely grants "great leader" status to potentates who govern during times of peace and tranquility. But that's another issue. A good speech, is a good speech, is a good speech, regardless of when it is given.

Calvin Coolidge, who is generally regarded by historians as one of the least eloquent of presidents, gave great speeches time and time again during a period of peace and prosperity. Here's what he told the Massachusetts Senate upon assuming a seat in that body in January 1914.

Men do not make laws. They do but discover them. Laws must be justified by something more than the will of the majority. They must rest on the eternal foundation of righteousness. That state is most fortunate in its form of government which has the aptest instruments for the discovery of laws . . .

The people cannot look to legislation generally for success. Industry, thrift, character, are not conferred by act or resolve. Government cannot relieve from toil. It can provide no substitute for the rewards of service. It can, of course, care for the defective and recognize distinguished merit. The normal must care for themselves. Self-government means self-support.

Man is born into the universe with a personality that is his own. He has a right that is founded upon the constitution of the universe to have property that is his own. Ultimately, property rights and personal rights are the same thing. The one cannot be preserved if the other be violated. Each man is entitled to his rights and the rewards of his service, be they never so large or never so small."

As the little red schoolhouse is builded in the college, it may be that the fostering and protection of large aggregations of wealth are the only foundation on which to build the prosperity of the whole people. Large profits mean large payrolls. But profits must be the result of service performed. In no land are there so many and such large aggregations of wealth as here; in no land do they perform larger service; in no land will the work of a day bring so large a reward in material and spiritual welfare."

Do a day's work. If it be to protect the rights of the weak, whoever objects, do it. If it be to help a powerful corporation better to serve the people, whatever the opposition, do that. Expect to be called a standpatter, but don't be a standpatter. Expect to be called a demagogue, but don't be a demagogue. Don't hesitate to be as revolutionary as science. Don't hesitate to be as reactionary as the multiplication table. Don't expect to build up the weak by pulling down the strong. Don't hurry to legislate. Give administration a chance to catch up with legislation.

We need a broader, firmer, deeper faith in the people--a faith that men desire to do right, that the commonwealth is founded upon a righteousness which will endure, a

reconstructed faith that the final approval of the people is given not to demagogues, slavishly pandering to their selfishness, merchandising with the clamor of the hour, but to statesmen, administering to their welfare, representing their deep, silent, abiding convictions.

Statutes must appeal to more than material welfare. Wages won't satisfy, be they never so large. Nor houses; nor lands; nor coupons, though they fall thick as the leaves of autumn. Man has a spiritual nature. Touch it, and it must respond as the magnet responds to the pole. To that, not to selfishness, let the laws of the commonwealth appeal. Recognize the immortal worth and dignity of man. Let the laws of Massachusetts proclaim to her humblest citizen, performing the most menial task, the recognition of his manhood, the recognition that all men are peers, the humblest with the most exalted, the recognition that all work is glorified. Such is the path to equality before the law. Such is the foundation of liberty under the law. Such is the sublime revelation of man's relation to man--democracy."

Now that was a great speech! Furthermore, it was recognized then as being a great speech. And there is no record of anyone questioning how someone could have given a great speech at a time when the nation was peaceful and prosperous.

According to the newspapers, Bill was determined that this inaugural address would be an historically "great speech." In preparation for writing it, he is supposed to have spent a lot of time reading Bill Safire's terrific 1992 book *Lend Me Your Ears, Great Speeches In History*.

I have read Safire's book and it appears to me that Bill missed the central point; that being that every great speech ever given has come from the heart of the speaker, whether it be Cicero's famous attack on Catiline ("Shame on the age and on its principles!") or then Minneapolis mayor Hubert Humphrey's 1948 demand that the Democratic party make no compromise on the issue of civil rights ("I realize that I am dealing with a charged issue . . .").

Clinton's speech didn't come from the heart. Or, at least it didn't appear to most observers as though it did. In his defense, it is difficult for a life-long liberal Democrat to speak "from the heart" about smaller government. If he had wanted to give a "great" speech, he should probably have picked a different topic. The truth is that there are very few people in Washington today who can speak sincerely on the subject of smaller government. And that includes the majority of Republicans, who are, for the most part, just as wedded to bloated bureaucracies as the Democrats.

I could develop this thought on my own. But no one does it better than my good friend Steve Moore, who is director of fiscal policy studies at the Cato Institute. I have quoted Steve often in these pages, usually referring to him as "one of the brightest young economists in Washington today." But the fact is that he isn't so young anymore. So let's just call him one of the brightest economists in Washington today.

In a recent article in *The Washington Times*, entitled "Shrinking the Fat with a Spending Freeze," Moore said the following.

In 1997, the federal budget will reach \$1.65 trillion. That's \$1,650,000,000,000. It is the most ever spent by any government in world history. In fact, it is more money than the combined federal budgets from 1800 to 1940, even after adjusting for inflation. That includes the cost of fighting the Civil War, World War I and the Great Depression.

Even if the budget were halved tomorrow, the federal government would still consume a greater share of national output (12 percent) than it did throughout most of American history.

After two years of a Gingrich-led Congress with much glorious rhetoric about balancing the budget, spending will rise by some \$60 billion this year. Just the budget increase of \$350 billion that is contemplated by the White House and Republicans in Congress from 1996 to 2002 is larger than the entire federal budget as recently as 1970. Boy, we've sent some real tightwads to Washington.

Yet the sad irony is that even as Republicans propose increasing federal spending by one-third of a trillion dollars, the left pummels them as cold-hearted Scrooges. Most Americans I talk to think that the Gingrich forces have actually proposed deep cuts in the overall amount that government spends each year. . . . For the past quarter century the federal budget has grown on average by more than 7 percent per year--or about twice as fast as inflation. Even the first Republican Congress in 40 years--on the promise of smaller, less intrusive government--approved budgets that grew by 4 percent per year.

Steve then makes an excellent case for an immediate spending freeze. I won't provide details of his argument here because it hasn't a chance of being adopted. Indeed, it probably couldn't gain a majority vote of Republicans, much less Democrats, even though it would provide the American people with \$1.3 trillion more of their own money to spend during the next six years than they will have under the current budget path.

The funny thing about all of this is that there are reams of empirical studies that show that smaller government makes excellent economic sense for everyone. I recently received a draft copy of a paper entitled "What Is the Optimum Size of Government," done by Richard Rahn (former chief economist at the U.S. Chamber of Commerce and now President of Novecon) and Harrison W. Fox, Jr. (President of Citizens for Budget Reform).

The paper demonstrates convincingly that the optimum level of central government spending is between 10% and 15% of GDP, with the best point estimate of slightly over 10%, less than half of the U.S. rate. Below 10%, their data indicate that economic growth suffers "because government needs to be of sufficient size to protect persons and property and enforce the rules." Above 10%, economic growth slows perceptively as the size of government increases.

The Rahn/Fox study is impressive in its scope. It covers 57 countries over a 43-year period. Even more impressive, I think, are the large number of citations it contains of similar studies with similar results. Space doesn't permit a complete rundown of these. But a few examples might be instructive.

o In a 1982 study of 20 countries, Keith Marsden of the World Bank reported that "Statistically significant negative relationships between taxes and GDP growth, and critical growth determinants (investment, labor supply, labor productivity, and exports) were found in our sample of countries. Overall, an increase of one percentage point in the total tax/GDP ratio is estimated to decrease the rate of economic growth by 0.36 percentage points."

o Gary and Aldona Robbins reported in a 1992 study for the National Center for Policy Analysis that: "Every \$1 billion reduction in annual taxes on capital income will ultimately lead to a \$25 billion increase in the nation's output of goods and services;" and "Government will receive about \$12 billion in new tax revenues as a result of the higher output, and wage earners will receive an additional \$12 billion in after-tax wages."

o A 1994 study by Gerald Scully, entitled "What is the Optimal Size of Government in the United States?" found, among other things, that in order to maximize economic growth, the average rate for federal, state and local taxes combined should be between 21.5 percent and 22.9 percent of GNP. He also found that taxes as a share of GNP have not been in this range since 1949.

Scully found that real GNP increased at a compound growth rate of 3.5% per year from 1949 to 1989. If an average tax rate of 23% had been in effect throughout the 40-year period, he says, the growth rate would have been 5.56% per year. As a result, real GNP would have been \$13.6 trillion by 1989 and the average American family would have had twice as much real income today as it actually has.

You get the point? Well, if you do, you wouldn't get along well here in Wonderland East. Neither the GOP Congress nor the Democratic White House gets it. So it is little wonder that Bill didn't wow everyone with his less-government-is-better-government speech. The message simply isn't believable. And it wouldn't be any more believable if the average Republican had given it.

But that's enough of that. It is bitter cold here in the Shenandoah Valley again this weekend, and I have to go check on the cows. Each birth reminds me of one my favorite poems by Eliot, "Journey of the Magi."

A cold coming we had of it,
Just the worst time of the year
For a journey, and such a long journey:
The ways deep and the weather sharp,
The very dead of winter.

See you next week.

THE POLITICAL FORUM

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