

# The Political Forum

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

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Friday, June 4, 2004

## A REPRINT FROM A PIECE PUBLISHED APRIL 12, 1995

### THE AMBITIOUS POOR MAN'S SON

Mark L. Melcher

I'd like to begin this week by saying that I think Newt did an absolutely fantastic job of driving his "Contract With America" through the House. Furthermore, as I indicated a couple weeks ago, I am optimistic that the Senate will eventually act on the "contract's" most important components.

Furthermore, while the Senate is at work, I expect the House to really rip and tear into government spending via the appropriations process. Indeed, when the dust settles, I think people will be amazed at how aggressively House Republicans have applied the knife. I further expect that during this time Rep. Dick Arme (R., Tx.) will successfully launch a national debate over his flat tax proposal, and eventually succeed in making it part of the GOP presidential platform in the 1996 presidential race.

Finally, as a matter of record, I am pleased to report that the House-passed version of H.R. 9, the "Job Creation and Wage Enhancement Act of 1995," contained the exact language concerning the issuance of new regulations that I quoted in my piece a few weeks ago entitled, "Wrapping The Bureaucrats in Red Tape."

In short, I think things are going very well in Washington, especially when compared to the mess we were in just one year ago. At that time, if you remember, Hillary was on her way to nationalizing the entire health care system, and lest you forget, Bill and Al were in the process of "reinventing government." The thrust of this latter plan, they said, was to "make government more efficient," which led thoughtful people to wonder what nightmares an efficient government could wrought, given the horrors inflicted by the current bloated and inefficient one. Regular readers might remember a piece I wrote at the time entitled "Why Not Reinvent Typhoid?"

In the words of Poe, "thank heaven the crisis, the danger is past." Having said this, I would like now to shed my optimism for a brief period, and give forth this week on a couple things that are bothering the heck out of me. After all, just because things are better in Washington doesn't

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mean that all is well with the world; and it is healthy, I think, to occasionally review some of the things that are wrong.

For starters, I find most of the on-going debates over various parts of the "contract" to be immensely depressing. Don't get me wrong. I am happy that they are discussing these things. I am also happy that the conservative side is, for the most part, winning. But listening to these debates on C-Span never fails to remind me of how utterly hopeless it is to expect any permanent victories over the relentless tide of liberal egalitarianism that is inherent in American democracy.

Like the Danaides of Greek mythology, condemned in Hades to fill water jars with holes in the bottom, the American Congress appears to be doomed to endless debate over simple truths concerning economics and human behavior that have been known to mankind for centuries.

Evidence abounds, for example, that America's massive and complex welfare system is deeply pernicious. Many of the nation's largest and oldest cities are monuments to this truth. This was well stated in a March 30, *Wall Street Journal* op-ed piece entitled "Cruel To Be Kind," by Myron Magnet, editor of the Manhattan Institute's excellent periodical, *City Journal*.

According to Magnet, "today's idea of how cities should help the poor--by creating a system that treats them as victims to be pensioned off rather than as equal citizens who deserve a chance--does them more harm than good . . . It undermines precisely the economic expansiveness that until now has been the cities' greatest gift to the poor . . . [and helps] dysfunctional single-parent families proliferate, passing failure from generation to generation."

Yet Congress debates this very point over and over and over, year after year after year. To quote Kurtz: "The horror. The horror." I'm not talking here about a debate dating to FDR. I'm talking about a debate that is as old as the Republic itself. Here's John Randolph of Roanoke, Virginia, one of the nation's early Congressional giants, speaking on the subject 165 years ago. Notice that those people, whom my good friend Bob Feinberg calls "poverty entrepreneurs," were diligently pursuing their trade even then.

Whenever I see a man, especially a rich man, endeavouring to rise and to acquire consequence in society by standing out as the especial champion of the poor, I am always reminded of an old acquaintance of mine . . . who made a comfortable living, and amassed an opulent fortune by administering the funds to the poor.

Among the strange notions which have been broached since I have been on the political theatre, there is one which has lately seized the minds of men; that all things must be done for them by the government, and that they are to do nothing for themselves. The Government is not only to attend to the great concerns which are its province, but it must step in and ease individuals of their natural and moral obligations. A more pernicious notion cannot prevail.

Look at that ragged fellow staggering from the whiskey shop, and see the slattern who has gone there to reclaim him; where are their children? Running about ragged, idle, ignorant, fit candidates for the penitentiary. Why is all this so? Ask the man and he will tell you, "Oh, the Government has undertaken to educate our children for us. It

has given us a premium for idleness, and I now spend in liquor what I should otherwise be obliged to save to pay for their schooling” . . . Sir, is it like friends of the poor to absolve them from what Nature, what God himself has made their first and most sacred duty?

Evidence abounds that the constant accumulation of debt is bad for a nation. Yet the argument about what and whether to do anything about U.S. borrowing goes on and on and on in Congress, year in and year out. Right now the centerpiece of the battle is a balanced budget amendment. Some 157 years ago, it was the now-quaint idea of currency debasement. But it's the same argument: should or should not there be some formal mechanism in place to check the propensity of democratic government to spend itself into bankruptcy as a result of the demands of a greedy majority. Here on the subject is James Fenimore Cooper, America's Sir Walter Scott, whose book, *The American Democrat* is as pertinent today as it was when it was published in 1838.

Although it is true, that no genuine liberty can exist without being based on popular authority in the last resort, it is equally true that it cannot exist when thus based, without many restraints on the power of the mass. These restraints are necessarily various and numerous. A familiar example will show their action. The majority of the people of a state might be in debt to its minority. Were the power of the former unrestrained, circumstances might arise in which they would declare depreciated bank notes a legal tender, and thus clear themselves of their liabilities, at the expense of their creditors. To prevent this, the constitution orders that nothing shall be made a legal tender but the precious metals, thus limiting the power of the majorities in a way that the government is not limited in absolute monarchies, in which paper is often made to possess the value of gold and silver.

So today we hear many of our beloved legislators arguing that a balanced budget amendment violates the constitution. They ignore (or should I say, are ignorant of) the fact that the constitutional defiling has already occurred, that the founding fathers originally placed an even stronger restraint on the demands by the masses to drive the government into debt; namely, that U.S. currency be backed up by something harder than paper. Yet the nauseating debate goes on and on and on and on.

Evidence abounds that wealth accumulation by some individuals is good for all; that hard work and frugality begets individual prosperity, and that this in turn has a salutary effect on the general welfare. Yet hardly a day passes that someone in Congress doesn't attack "the rich," and promote the need for tax laws that restrain the "unfair" accumulation of savings and inequality of wealth. Can these people read? Do they read? Where did they go to school? Why is this debate necessary year after year after year? Pssst! Mr. Gephardt! Listen!

In 1759, a chap named Adam Smith, a Scotsman by birth, a fine fellow, an economist actually, well known in his day, wrote a book entitled *The Theory of Moral Sentiments*, popular at the time. In it, he tells the parable of the Ambitious Poor Man's Son. An extremely truncated version goes like this.

He finds the cottage of his father too small for his accommodation, and fancies he should be lodged more at his ease in a palace. He is displeased with being obliged to

walk a-foot, or to endure the fatigue of riding on horseback. He sees his superiors carried about in machines, and imagines that in one of these he could travel with less inconveniency. He feels himself naturally indolent, and willing to serve himself with his own hands as little as possible; and judges that a numerous retinue of servants would save him from a great deal of trouble. He thinks if he had attained all these, he would sit still contentedly, and be quiet, enjoying himself in the thought of the happiness and tranquility of his situation."

"To obtain the conveniencies which these afford, he submits in the first year, nay in the first month of his application, to more fatigue of body and more uneasiness of mind than he could have suffered through the whole of his life from the want of them . . . With the most unrelenting industry, he labours night and day to acquire talents superior to all his competitors . . . he serves those whom he hates, and is obsequious to those whom he despises . . . It is then, in the last dregs of life, his body wasted with toil and diseases, his mind galled and ruffled by the memory of a thousand injuries and disappointments which he imagines he has met with from the injustice of his enemies, or from the perfidy and ingratitude of his friends, that he begins at last to find that wealth and greatness are mere trinkets of frivolous utility, no more adapted for procuring ease of body or tranquility of mind than the tweezer-cases of the lover of toys.

Yet, Smith asserts,

It is well that nature imposes upon us in this manner. It is this deception which rouses and keeps in continual motion the industry of mankind. It is this which first prompted them to cultivate the ground, to build houses, to found cities and commonwealths, and to invent and improve all the sciences and arts, which ennoble and embellish human life; which have entirely changed the whole face of the globe . . .

The rich only select from the heap what is most precious and agreeable. They consume little more than the poor, and in spite of their natural selfishness and rapacity, though they mean only their own conveniency, though the sole end which they propose from the labours of all the thousands whom they employ, be the gratification of their own vain and insatiable desires, they divide with the poor the produce of all their improvements. They are led by an invisible hand to make nearly the same distribution of the necessaries of life, which would have been made, had the earth been divided into equal portions among all its inhabitants, and thus without intending it, without knowing it, advance the interest of the society, and afford means to the multiplication of the species.

You get it, Mr. Gephardt?

Besides being distressed by endless Congressional debates over simple truths, I also find depressing the enthusiastic U.S. participation in every crackpot idea for an international conference that the locos in the United Nations can dream up.

Last summer there was the "Population Conference" in Cairo, home of one of the world's greatest population explosions. In an astounding display of hubris, father-of-four, Al Gore, in the words of the *Wall Street Journal*, "chided the world" for a "willful refusal to take responsibility" for its population growth. Not to be outdone, U.S. Senator Barbara Mikulski announced that she was hopeful that the conference would "plan the status of women around the world," if the Vatican would just stay out of the way.

Last March there was the U.N. "World Summit on Social Development," in, of all places, Copenhagen, one of mankind's great monuments to the failure of the social welfare state. The climax of this \$60 million meeting was the signing by "leaders" from all over the world of a "solemn declaration" and a "plan of action" that included a "commitment to the goal of eradicating poverty in the world."

The United States once again sent Al, and of course Hillary, who wowed attendees with a speech expounding upon the need for "realistic solutions to complex problems" and "putting people first." Together, they joined some 20,000 other officials, their secretaries and bodyguards from all over the world in jointly deciding that the best way to eradicate poverty would be to increase contributions, and of course, debt relief, from those nations that promote a work ethic via capitalism to those which don't, via socialism. Sierra Leone, which has an annual per capital income of \$625, sent a delegation of eight. Burundi, which is even poorer, sent 12. Fidel Castro represented Cuba. He received much more applause than Al, when he denounced "the blind and savage laws of the market," which he said inhibit social development.

And coming up in September, we will have the U.N. "World Conference on Women" in Beijing, the world capitol of coercive abortions and female infanticide. Specifically, this conference has adopted for itself the modest task of eradicating illiteracy among women and eliminating the wage-gap between men and women worldwide.

My problem with these meetings is not that they waste money. This would be like complaining that dogs bark. Wasting money is what the U.N. does. I am troubled by the image that is being created of the United States as a major promoter of left-wing, utopian claptrap throughout the world, and by the dream-world atmosphere that is being promoted at home.

As Tom Bethell, a visiting media fellow at the Hoover Institution, recently pointed out: "In the 1950s, 60s, and 70s, it was the Soviet Union that carried the ball for the progressive cause, bringing the good news of collectivism unto the Third World and dutifully enrolling converts in Moscow's Patrice Lumumba University. Now it is America the missionary, preaching a politics of "change," with a license to annihilate imperfection. Under Clinton, we seek to export the latest left-wing notions to the world."

This is not only foolish, but perilous. Space does not permit me to develop this thought in depth. But I refer those who might be interested to a piece I wrote several weeks ago entitled "The Immanentization Of The Eschaton."

Briefly stated, I spoke in that piece of the theories of Eric Voegelin, one of America's most brilliant historians, philosophers and political theorists, who argued that "nonrecognition of

reality" is the first principle of the "Gnostic dream world," in which a society believes that it is pre-destined to fulfill some form of millenarian social role.

In this world, Voegelin states, a nation will pledge itself to various unrealistic social idealisms, "such as the abolition of such phenomena as war, fear, want and the unequal distribution of property." But, because it operates in a dream world, it will fail to meet real dangers in the real world with appropriate action. "They will rather be met by magic operations in the dream world, such as disapproval, moral condemnation, declarations of intention, resolutions, appeals to the opinion of mankind, branding of enemies as aggressors, outlawing of war, propaganda for world peace and world government, etc." Eventually, Voegelin says, measures taken which are intended to establish peace increase the disturbances that will lead to war.

Get to work, Newt. There's a lot to do! We're pulling for ya!

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