

The Political Forum

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

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THE STAR OF THE ONLY SHOW IN TOWN

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There is a wise old political saying that if you want to be admired, don't make your successes look easy. Jimmy Carter was apparently a believer in this theory. His problem was that his successes were too few, and he made everything look hard. President Reagan has had many successes, but he clearly makes them look too easy.

Last week was a perfect example of this Reagan shortcoming. By just about any measure, it was a remarkable week for Reagan politically. All that was needed to make it seem a super week was a little Carteresque public agonizing. Instead, Reagan made it look easy.

0 For starters, the quasi-filibuster in the Senate over MX missile funding was broken. Surely, Reagan will now get the funds he wants to continue development. The doves never had a chance against the old hawk.

0 Then, in an extraordinary political move, President Reagan named an old foreign policy nemesis of his, Henry Kissinger, to head a study committee on Central America. He thus brought into his own tent a potentially important critic of his policies and focused debate on what surely is not a substantive issue -- whether Henry Kissinger should head a study committee. The result was a quantum jump forward in his fight against those on Capitol Hill who would cut off covert funds for Central America.

0 On the economic front, Congress threw in the towel last week on hopes for passing any tax increases before the election, thus ensuring an important part of President Reagan's economic game plan. Ways and Means Committee Chairman Dan Rostenkowski said it best: "There is a consensus that something has to be done about revenues," he said. "But, we're all political animals here, and I agree that next year will be much more political. There will be no appetite for looking at revenues."

"Without the leadership of the White House," Rostenkowski continued, "there are few profiles in courage on Capitol Hill."

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Of course, the White House is leading. It just happens to be leading in the other direction. In fact, at almost the same time Rostenkowski was admitting there would be no tax increases before the election, the Treasury Department was backing off on its support for possible increases after the election.

Treasury Secretary Donald Regan told Congress last week that between now and 1988, tax revenues could increase an additional \$95 billion as a result of the strong recovery. In fact, he said, over the next 18 months alone the recovery will boost receipts \$55 billion more than anticipated only a few weeks ago.

"This extra tax revenue amounts to almost 75% of the proposed tax bill contained in the current budget resolution," he said. "Hopefully, this added revenue will not be spent and will result in a corresponding reduction in the deficit."

The Treasury Department now says privately that the 1985 contingency tax increase has not been officially dropped-but, they add, it is not going anywhere either.

The week's crowning political achievement for President Reagan was Fed Chairman Paul Volcker's two days of congressional testimony in which he as much as assured the administration that whatever else might be their downfall in the coming election, it wouldn't be a tight monetary policy.

The press basically handled the political ramifications of Volcker's testimony as though they were to be expected, forgetting the weeks and weeks of stories throughout the spring pointing out the pitfalls were Reagan to renominate the man who, some said, doomed Carter by his tight monetary policy.

While he did not get any kudos for it in the press last week, Reagan's choice of Volcker certainly looks politically brilliant for the time being, although maybe a bit too easy.

As one long-time Fed watcher said, "Any chairman could have announced that monetary policy for the upcoming six months, but probably no one else could have done it with so few questions asked by Democrats about the political ramifications of it."

It appears Reagan will sink or swim on his own economic instincts. He seems to want a mixture of strong growth and enough money to finance it. He doesn't appear to be personally worried about renewed inflation or budget deficits, being apparently willing to postpone concern about each until his second term. And finally, it appears that the President views interest rates as theoretically high, but not high enough to choke off the recovery, and therefore not too troubling.

Whether this will play in Peoria remains to be seen. But the star of the show appears pretty confident. And the truth is, there's no other show in town.

Coming up in Reagan's battle to write his own economic game plan is a House vote over the administration's request for an additional \$8.5 billion for the IMF.

House Speaker, Tip O'Neill (D, Mass.) had wanted to delay a vote on the measure until after the

August recess because, he said, there were not enough votes to pass the measure. The White House asked for the vote this week, and apparently will get it.

It seems unlikely that the administration would ask for the early vote if it were not fairly certain it had the horses. Some cynics think what Tip really was saying was that there weren't enough Republican votes to give the controversial measure a strong enough bipartisan look to protect squeamish Democrats who know they have to vote for the measure but don't want to.

Opposition to the bill is coming from two major sources. The most interesting is from liberals, led by Ralph Nader, who has declared it a bail-out for the big banks. Nader is joined in his crusade by a band of conservatives led by Jack Kemp (R, N. Y.), who say they would prefer to see the IMF borrow from private markets and who appear to reject the thesis that a major debtor-nation default would be a disaster.

In the final analysis, most observers think the House will approve the bill. Paul Volcker and Don Regan have both predicted dire economic consequences if it fails. The Democratic leadership supports the measure. And, with all its bellyaching, the House has usually followed its leadership, if for no other reasons than lack of imagination and abject fear of making a mistake.

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