

# The Political Forum

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

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Mark L. Melcher  
Publisher  
[melcher@thepoliticalforum.com](mailto:melcher@thepoliticalforum.com)

Stephen R. Soukup  
Senior Editor  
[soukup@thepoliticalforum.com](mailto:soukup@thepoliticalforum.com)

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### THE 1990s: NOT KINDER AND GENTLER, BUT MEANER AND ROUGHER

Mark L. Melcher

Recently, there has been a proliferation of books and magazine articles attempting to predict world of the 1990s. I find them fascinating and more than a bit frightening.

From the standpoint of the investment community, where change begets opportunity, the message virtually screams out that the 1990s are going to be exciting. From the standpoint of society and politics, the message is that during the 1990s it will be even less fun to be poor than it was in the 1980s, the nation's educated elite will prosper, the size and influence of the federal government will grow, and the relationship between business and government will become cozier and cozier.

I think the 1990s will be a horrible decade for liberals, who believe in well financed federal programs that redistribute wealth to the poor, who want an activist federal judiciary to protect against civil rights abuses, and who think protectionism is the best way to save the American worker. I think the decade will, ironically, be almost as bad for traditional conservatives, those who believe in low taxes and minimal government.

I was moved to write this piece after scanning Robert Reich's new book *The Work of Nations*, published by Alfred A. Knopf, New York. I don't agree with a great many of the thoughts put forth by Reich, but he is certainly right when he discusses some of the effects on the nation of the greatly increased internationalization and technological complexity of business.

Among other things, this trend, Reich says, will place a very high premium on the work produced by the educated elite, while at the same time, making life much more difficult for those workers who have to compete with cheap labor in the Third World.

Furthermore, according to Reich, a former Dukakis campaign aide who now teaches at Harvard's JFK School of Government, "as the economic fate of Americans diverge, the top fifth may be losing the long-held sense of connectedness with the bottom fifth, or even the bottom four-

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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](mailto:melcher@thepoliticalforum.com),  
or visit us at [www.thepoliticalforum.com](http://www.thepoliticalforum.com)

fifths." Increasingly, he says, "the fortunate fifth are selling their expertise on the global market and are able to maintain and enhance their standard of living and that of their children even as that of other Americans declines."

In fact, Reich says, the nation's educated elite, which he calls "symbolic analysts," are actually "seceding from the rest of the nation." He says this secession has taken many forms, but that it is grounded in the same emerging economic reality. That is that this group "no longer depends, as it once did, on the economic performance of other Americans. Symbolic analysis are linked instead to global webs of enterprise, to which they add value directly."

Reich notes that the federal government has increasingly transferred expenses to the states, which have transferred them to cities and towns, and all this has served to make the dichotomy between poor and rich enclaves more and more visible. The rich enclaves do not feel responsible for helping out other towns and cities, which do not have the same tax base. Reich notes, for example, that while Philadelphia's taxes are triple those of its suburbs, the suburbs enjoy far better schools, hospitals, recreation and police protection.

Reich maintains that this trend may also be responsible for the decline in public expenditures on infrastructure. For example, he notes that symbolic analysts "transmit their concepts through the air via private telecommunications systems and transport their bodies through the air via private airlines," while "most other workers rely primarily on public highways, bridges, ports, trains, buses and subways in order to add economic value."

Irwin M. Stelzer, a resident scholar at the American Enterprise Institute, made what I think was an insightful observation about Reich's theories in the July issue of *Commentary* in an article entitled "Bad Advice for Democrats." Stelzer is critical of Reich's book and another liberal look at the 1990s recently published by Knopf called *The End of Laissez-Faire: National Purpose and the Global Economy After the Cold War*. This book was written by Robert Kuttner.

According to Stelzer, what "worries this liberal Democratic duo" is that increased international competition will make it difficult to adopt high-cost social-welfare programs and to levy the taxes to fund them." Stelzer notes that when Reagan and Thatcher ended controls on capital flows, they "left high-cost welfare states and trade-union practices naked in the ensuing gale of international competition."

Interestingly, Stelzer's disdainful attitude toward social-welfare programs lends strong support to Reich's view that enthusiasm among the wealthy for income redistribution programs will be limited in the 1990s.

In fact, the movement to discredit federal programs to help the poor is gaining remarkable momentum already. Bush's nomination to the Supreme Court of Clarence Thomas, a black man who speaks eloquently and disparagingly of such programs is a milestone in this trend.

I am not saying here that Thomas and other conservatives are wrong. In fact, I think there is ample evidence that the Great Society created as many problems among the poor as it cured. For example, these programs seem to me to have unquestionably denied vast groups of poor people the kind of incentives to work and to establish normal family lives that have helped make the

majority of Americans prosperous. And these programs have clearly created a class of ghetto politicians who feed on the miseries of the people they purport to represent.

But ascribing to this belief does nothing to hide the fact that the period between the pull back in support for these programs and the hoped-for positive effects of some sort of "self-help" approach to the problems of the poor will be rough on those individuals who have come to rely on income transfer programs.

In short, as the rich get richer, the cities will get nastier, the judicial system harsher, parts of the infrastructure more dilapidated and the influence of the federal government in efforts to directly aid the poor will decline.

A strong clue to the character of the 1990s came from George Bush during his presidential campaign in the summer of 1988 when he promised the American public a "kinder, gentler nation." The fact that Bush felt the need to make such a statement was fairly firm evidence that even he knew that the good old U.S. of A. was about to become a little meaner and a little rougher.

It is, of course, possible to put too fine a point on all this. The United States has an enormous federal and state bureaucracy designed to help the poor and this machinery will not be turned off easily. Indeed, I am not predicting here that the United States will suddenly turn into some surreal, armed camp of desperately poor citizens raging through the cities while a handful of rich surround themselves with private police in islands of protected luxury.

I am simply saying that predictions that were fairly widespread not too long ago, most notably espoused by political commentator Kevin Phillips, that the U.S. political system was about to swing dramatically back toward liberalism are wrong.

As I indicated earlier, traditional conservatives shouldn't gloat too much about these trends. Ironically, hand in glove with this meaner, rougher nation will come continued rapid growth in middle-class federal wealth transfer programs, mostly Social Security and Medicare, as the nation grows older. This will keep total federal taxes at historically high levels and prevent any serious solution to the problems of massive federal deficits.

Even more distressing to traditional conservatives will be watching Reich's symbolic analysts and Congress unite to form a new political philosophy of corporatism, which will dwarf in terms of political power both conservatism and liberalism.

This trend, which will dominate politics in the 1990s, is already strongly underway. The most visible manifestation is the on-going effort by Congressional liberals and the nation's largest companies to address health care issues.

Out of this alliance, sometime within the next few years, will emerge a national health care system that will take the big companies somewhat off the hook for their giant unfunded health care liability for their retired elderly and, at the same time, give them a new advantage over their smaller competitors by forcing the latter to carry comprehensive health insurance policies for

their employees. Congress in turn will find itself with almost total control over one of the most important industries in the nation.

Not yet in the works, but certainly on the horizon are similar corporate-government "solutions" to such problems as drug abuse, crime, education, housing and even foreign competition. Like the health care deal being cooked up, these efforts will be facilitated by the enormous political and economic power that exists when big shots from business sit down with big shots from Congress. And the process will be aided by egos on both sides too large to even consider that they might not be solving the problem but just making another mess like the one created by the 1960s programs to "help the poor."

As I said in the beginning, the 1990s will be an exciting period marked by phenomenal change. The educated elite will gain tremendous economic strength as the knowledge gap between them and the less educated is stretched to unheard of lengths by phenomenal gains in technology worldwide. This power will concentrate in America's corporations and there be further enhanced via joint ventures with Washington bigwigs.

The economy will almost certainly prosper under these conditions, at least for a while, and investment opportunities will abound as concentration of power negates some of the uncertainties that are inherent in totally free markets. And the cost in traditional American values, those espoused by liberals and conservatives alike, will be high.

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