

SUICIDE WATCH

Democrats in Terminal Denial

BY JOHN H. FUND

You knew the Democratic Party was turning left after its drubbing in the 2002 election when House Democrats overwhelmingly selected San Francisco's Nancy Pelosi as their new minority leader. Ms. Pelosi celebrated her victory by attending a Washington concert by The Other Ones, a band made up of the remaining former members of the hippie cult favorite, The Grateful Dead.

"The Other Ones" is a good description of a Democratic Party that has now lost five straight House elections, largely on its inability to connect with the concerns of ordinary Americans. Old habits die hard. When presented with her first postelection chance to speak to a national audience, on Tim Russert's "Meet the Press," Ms. Pelosi couldn't help but lapse into *latte* liberal-speak when discussing



rooting it out, but we also have to be smart in how we address the root causes of terrorism."

Ms. Pelosi has apparently forgotten that almost all of the September 11 hijackers—not to mention Osama bin Laden—were the offspring of privileged Middle Eastern families. They were all well educated, many in Western countries.

with opposition to military spending and tax cuts, along with support for debt forgiveness for poor countries.

It was the belief that Ms. Pelosi would find it impossible to move to the center as the leader of the House Democrats that prompted Rep. Martin Frost of Texas, a former head of the Democratic Congressional Campaign Committee, to briefly challenge her for the leadership post. Party leaders, he said, are "going to have to figure out how to get people from the center of the country and center of the party to be part of what they are doing."

But the Democratic Party is clearly following Ms. Pelosi instead and lurching to the left. Just days after their disaster at the polls, former vice president Al Gore told a New York City audience that he supports a "single-payer national health insurance program." In other words, Mr. Gore supports a European-style socialized medicine program that even Hillary Rodham Clinton did not dare propose during the heyday of Clintonian liberalism.

Al From, founder of the centrist Democratic Leadership Council, worries that the party is veering away from the centrist message that Clin-

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the war on terrorism.

After she defended her 1991 statement that President George H. W. Bush was "acting illegally" in prosecuting the Gulf War, Ms. Pelosi laid out her bleeding-heart credentials on dealing with terrorism. "There is opportunity for us to reduce the fury of despair in the world, so that people have some hope, some opportunity," she told Mr. Russert. "When they have no options, they resort to this (terrorism) . . . we have to be firm in

Concern about the root causes of terrorism is a defensible albeit odd position. However, it is certainly not politically smart in the aftermath of the most devastating attack ever made on the American homeland. Ms. Pelosi, a charming and gracious person, has unfortunately been marinated in the liberal thinking of her thoroughly unrepresentative San Francisco district. In the 2000 presidential election, it gave George W. Bush only 15 percent of the vote. Ralph Nader, who won 8 percent, outpolled Mr. Bush in much of the city. Ms. Pelosi's fifteen-year congressional voting record is replete

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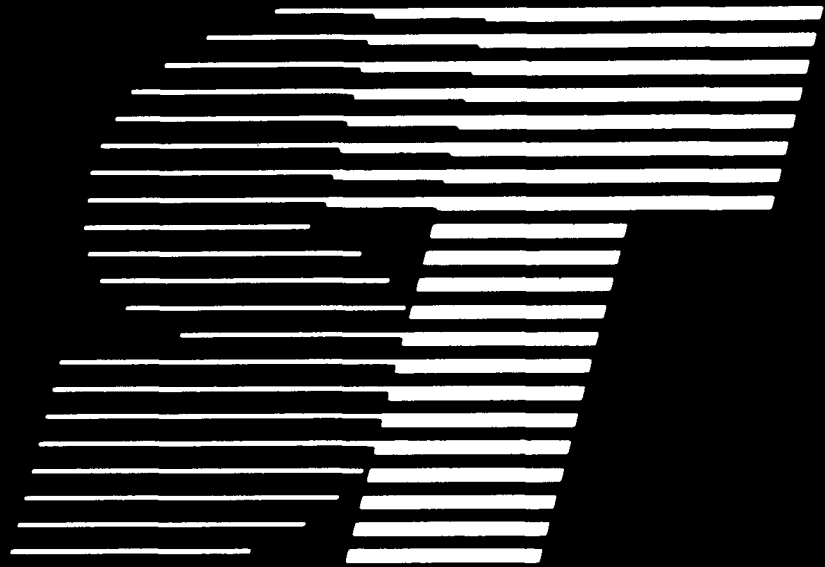
ton won on in 1992 and then somewhat returned to after his party lost control of Congress in 1994. "We have not been able to win with the old message of prescription drugs and never touching social security," he told the *Washington Post*. Indeed, a post-election survey by Democratic strategists James Carville and Stan Greenberg concluded that voters cited prescription drug benefits and protecting social security as the fourth and fifth most important reasons to vote *Republican*.

Despite such evidence, Messrs. Carville and Greenberg conclude that voters "are prepared to respond to a new Democratic boldness." But their idea of boldness is moving to the left, not breaking outdated ties to liberal special interest groups. They believe that Democrats will find a receptive audience if they embrace canceling a portion of the Bush tax cuts, propose pouring billions of dollars into "alternative" energy sources such as solar power, and oppose private accounts that would give younger workers more control over their social security payroll taxes. "Once again, this is still the Democrats' moment," they conclude.

George W. Bush couldn't ask for more electorally tone-deaf opponents. Having seen their fear tactics and opposition to the Bush agenda fail dramatically at the polls, Democrats like Messrs. Carville and Greenberg look at the results and suggest that Democrats offer even more of the same!

It's no wonder that Democratic Senator Zell Miller of Georgia—the man who nominated Bill Clinton for president at the 1992 Democratic convention, when he still believed the Arkansas governor was a centrist—has been so scathing since November 5 in criticizing his "stagnant" party. "If we don't do something new—in a better and bolder way—the Democratic Party could follow that other inflexible party of (interest) groups, the Whigs, into the dustbin of history," he warned in an op-ed piece in the *Wall Street Journal*. Miller called on Democrats to emulate John F. Kennedy and embrace real tax cuts, for both individuals and businesses, to counter the growing threat of deflation.

Senator Miller won't get very far with the Pelosi Democrats. They seem to be cheerfully running—not walking—to the edge of another electoral cliff. ↘



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FROM LOW TO HIGH

BY BRIAN S. WESBURY

If Election Day 2002 was the height so far of George Bush's presidency, the bottom was in mid-July, during a speech in Birmingham, Alabama, when he addressed the issues of accounting fraud and corporate governance. "America must get rid of the hangover that we now have as a result of the economic binge we just went through," he said.

For a populist president, this fall off the libertarian wagon into a Democratic-Keynesian "government knows best" abyss was appalling. Stocks fell sharply during the speech. Otherwise sensible people made fun of our first MBA president. And for good reason: 99 percent of all American businessmen and women are ethical, hard-working. They know integrity is important. They know crime does not pay—not where competition exists. If you overprice, provide shoddy merchandise, or cheat and steal, you will either be found out or you will lose out to your competitors. Free markets may not erase sin, but they hold it in check better than governments can ever hope to.

Similarly, if you asked most business people about what happened in

The best way to cure this economic hangover is to start the party all over.

the late 1990s, they would say their companies profited for a simple reason: hard work. The same is true of most workers, who also saw their incomes rise rapidly. They were not "on a binge." They felt that blood, sweat, and tears, along with the innovative use of technology, had increased productivity, profits, and incomes. To have the president suggest that all this was a mirage—including the very real economic numbers that back it up—was a slap in the face.

The boom of the 1990s was not a "binge," and only in the inside-out world of Lord Keynes do good times inevitably end in a crash. Clearly there were some "bad apples" at work. But the real cause of the latest U.S. recession was misguided policy, not corruption.

Vice President Dick Cheney got it right in early August when he said in a major economic speech that "high and unpredictable energy prices, a steadily rising tax burden, and high interest rates" caused the recession. This was a turning point for the Bush administration and in my opinion greatly helped Republicans in the midterm elections. Only the day before Cheney spoke, his boss had officially signed "Trade Promotion Authority." A week later, news out of the Waco Economic Summit had the White House supporting investor-friendly tax cuts. And the stock market rallied, after falling consistently ever since tariffs were slapped on imported steel back in March.

Unwisely, the administration backed off on the tax cuts in early September, after getting resistance from Congress. The market headed right back down to new lows. Thankfully, this time the White House did not forget the lesson. Everywhere President Bush went during his final seventy-two-hour blitzkrieg before

the election he called for his tax cut to be permanent. He also called for passage

of his terrorism insurance bill, to help lower costs for construction projects. And he asked that homeland security efforts be free of the Democratic-favored morass of bureaucratic and union handcuffs.

Lower taxes, a more orderly insurance market, a coordinated, nonbureaucratic effort to make our country safe—all clearly beneficial developments for investors. And this is key in today's political world.

The reason is simple: the most potent political force in America is the investor class. This 80-million member group is not as consistent as many would like. The best way to

describe its momentum is "two steps forward and one step back." Nonetheless, it is inexorably changing the political landscape, and on Election Day it took two steps forward.

The investor class knows that higher taxes and bigger government are bad for the economy. It also knows that George Bush is not responsible for the recession or the stock market crash. Politicians who follow its lead will not only win more elections than they lose, they will—as President Bush is poised to do today—help lead the United States back to world-beating economic growth.

WATCH THAT ROCK

In the first few days of his honeymoon, George Bush played it safe. While some conservatives want to move quickly on a major overhaul of the tax system and private accounts for Social Security, the White House is—rightly—taking one step at a time.

In my former life as a chief economist for the Joint Economic Committee of Congress in the mid-1990s, I recall with clarity a strategy meeting with a top RNC official making the rounds on Capitol Hill. He was explaining how Newt Gingrich was going to use his national mandate to hold Bill Clinton hostage on the budget issue.

Newt was going to "stand on a rock" and wait until the Clinton White House came to him. Deficits, in Gingrich's mind, were the number-one enemy of capitalism and if fighting them required a shutdown of the government, then so be it. Newt wasn't going to move from that "rock" until the world understood he was king. Unfortunately for Newt, Bill Clinton knocked him off that rock, picked it up, and dropped it on him.

The focus on deficits and Newt's hubris were mistakes. Karl Rove and the president need to learn from that episode and understand the difficult job that lies ahead: move to support the investor class, but don't use slash and burn tactics to get it done.

The good news is that the electorate does not want to turn back to Big Government. The Republican resurgence and the growth in the investor class are

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