

THE INTELLECTUAL ACTIVIST

An Objectivist Review

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By Robert Tracinski



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The Republicans' Altruist Convention

An Interview with Richard M. Salsman

by Robert W. Tracinski

Richard M. Salsman is founder and President of InterMarket Forecasting, Inc., an investment research and forecasting firm based in Cambridge, MA.

The Intellectual Activist: What were the basic themes of the Republican convention?

Richard M. Salsman: Above all, of course, Mr. Bush's motto: "compassionate conservatism." *TIA*'s readers will know that this is a futile attempt to base free market policies on altruistic grounds. You can't be for altruism *and* capitalism. No wonder, then, that the GOP convention speakers de-emphasized the virtues and benefits of prosperity. There's no denying America is more prosperous than it has been in decades. But the Republicans failed to take proper credit for it—saying it's either irrelevant, immoral, or dangerous. They implied that their opponents were responsible for the prosperity. But, they seemed to say, "So what? —let the Democrats be held responsible for promoting that evil ethic of self-interest, of hedonism, for lowering the 'honor and integrity' of the Oval Office."

TIA: What did you think of Bush's acceptance speech? How about the other speeches at the convention?

RMS: Bush's speech was positive to the extent it proposed no new government programs and laid out a case for tax cuts. He said welfare was something "government cannot do." He proposed a partial privatization of Social Security. He defended free trade. He wants to strengthen the military and avoid Bosnias.

But the speech was terrible in that it promoted altruism and derided prosperity. I mentioned the impression he left that Democrats were

responsible for America's renewed prosperity. Well, to avoid the obvious implication of this, Bush also advanced the theme that prosperity alone is not enough, that what's needed is "prosperity with a purpose." So he implied that wealth-seeking itself is amoral, that we attain virtue only in giving wealth away to strangers or to the undeserving. But he went further, and lower. He portrayed prosperity as potentially *poisonous*, saying it can be "a drug in our system, dulling our sense of urgency, of empathy, of duty."

Bush also said we must not "be rich in possessions and poor in ideals." By "ideals" he meant altruism. What he fails to see, of course, is that we're rich materially *precisely to the extent* we've been rich in ideals—but they're the ideals of individualism, self-reliance, and selfish profit-seeking. As a self-proclaimed "born again Christian," Mr. Bush doesn't consider these to be virtues, but vices. To herald prosperity—and be consistent—he'd have to herald self-interest, too. But he's a champion of altruism, so to be consistent, he *has* to deride prosperity.

Other convention speakers—such as Colin Powell, John McCain, and Bob Dole echoed the same themes as Bush: the "ideals" of self-sacrifice, duty, service to community, and the alleged evils of self-interest and un-shared wealth. Powell was the worst of the bunch. He echoed the themes of Hillary Clinton's book, *It Takes a Village*, saying, for example, that "children are a gift to their community," that "they belong to us all." When they become adults, he said, they must "give back to the community." Thus Powell promoted inter-generational, voluntary servitude. Then he defended affirmative action—which is racism codified.

TIA: You said that the Republicans are ceding credit for the good economy to the Clinton administration. Who really deserves the credit? Does any credit belong to Clinton? How about the Republicans in Congress?

RMS: The primary issue is what *ideas* and policies deserve credit, *whoever* advocated or enacted them. America's economic, financial, and military renewal occurred precisely to the extent more pro-capitalist ideas and policies were enacted. It started in the Reagan years. Government was the *problem*, he said in his first inaugural address—not the solution. Clinton deserves credit—and succeeded—only to the extent that he mimicked Reagan, for example, when he pronounced

in a State of the Union Address that "the era of big government is over." American prosperity revived in the 1980s after the deregulation of oil and other industries, huge cuts in marginal tax rates, and a return to relative monetary stability. The GOP initiated these policies and secured them by dominating the White House in the 1980s and Congress for most of the 1990s. In 1993 we got a free trade agreement—NAFTA. In 1996 alone the telecommunications industry was deregulated, the capital gains tax was cut, and welfare laws were reformed. The stock market took off, the welfare rolls fell by half in four years, and the unemployment rate fell to a 30-year low. The budget was balanced because tax receipts were pouring in while the growth of spending was controlled by a GOP Congress. Another key factor in getting better policies has been the preponderance of Republican governors at the state level. Finally, of course, it was Republicans who appointed Mr. Greenspan to the Fed. Whatever his faults, he has created much less inflation than his predecessors did.

The Democrats opposed most of the shift to the right in recent decades. Remember, they and their shills in the media denounced the 1980s as the "Decade of Greed." They regained the White House in 1993 only by promising voters they'd be "New" Democrats—more like Republicans—and because President Bush violated his "no new taxes" pledge. In 1994 the GOP regained Congress for the first time in forty years by blocking Clinton's attempt to socialize medicine. To retain the presidency in 1996, Clinton mimicked the GOP's 1994 themes. He and Gore defended NAFTA and after some foot-dragging Clinton signed a welfare reform bill crafted by Republicans. He was forced to fulfill his earlier campaign promise to "end welfare" as we know it.

Here's what I notice about the last two decades in American politics: regardless of party affiliation, the politicians that most closely advocated capitalism did best in elections—and the economy did well precisely to the extent pro-capitalist policies were adopted. Any capitalist should be pleased to see this pattern. But he'll be frustrated, as well, not seeing any party or politician *consistently* carrying it out. Altruism is the barrier to that.

TIA: Why aren't the Republicans claiming credit for reducing the growth of spending? Why don't they take credit for things like welfare reform? Why aren't they taking credit for stopping Clinton's health-care takeover? What stops them?

RMS: For all their successes, the Republicans remain advocates of the welfare state, which they still believe is morally superior to capitalism. They won't take credit for reducing the growth in spending because that suggests they're against the welfare state. Today 75% of spending is on welfare functions, including Social Security. They don't take credit for welfare reform because they realize, at root, that welfare reflects "compassion" and altruism; they don't want to appear "heartless" or lacking in altruist motives.

TIA: Is "compassionate conservatism" just a campaign slogan—or does it have a direct effect on Bush's campaign platform?

RMS: It has a direct effect on his platform *because* it's not just a campaign slogan. Bush has revealed that in the early 1990s he read the books of sociologists Myron Magnet and Marvin Olasky. That's where his motto comes from. I've read these books. Their basic argument is that conservatives should make peace with the welfare state and never be seen as "hard-hearted," else they'll never win elections. The books say that altruism is good, but it must be practiced voluntarily. They argue that when altruism is codified into law—through the tax code and welfare programs—it brings "unintended" and harmful consequences. The poor aren't truly benefited, as they "should" be. The focus of these books is on the harm done to the poor by welfare programs—not on the harm done to the producers who were taxed to provide for welfare.

Bush has used these themes since at least 1994. They stand behind his view, regarding welfare, that "government cannot do this work." Yet the work to be done is: helping the poor. Bush wants to widen tax breaks for charitable giving. While tax breaks are always good, here again the motive is altruism.

The motto is also reflected, as another example, in his tax cut plan. The lowest income earners, in the 15% bracket, get a one-third cut while the highest income earners, in the 40% bracket, get their rate cut by only about half that. Bush is right to cut tax rates across the board, but he offers the biggest cuts to the lowest earners. The tax code becomes even more graduated—that is, more unjust. Republicans should be flattening the rate schedule, not steepening it.

Conservatives are drawn to such books because they're told they can limit the growth of government without surrendering their allegiance to altruism. But they still can't answer the question: If altruistic charity is ethical, why not mandate it politically?

TIA: What do you think of Bush's call for a partial privatization of Social Security? Is this a good plan, or at least a step in the right direction?

RMS: It could be a step in the right direction, if the ultimate goal were a phase-out of the system. But that's not what Bush is trying to do. He wants to "save" it. He knows it's unsustainable and that without changes the future will see only higher payroll taxes, diminished benefits, or an extended retirement age. He wants to allow workers to invest up to two percentage points of the 12.4% payroll tax and hold it in an account where they'd own the assets. That allows some greater private saving. And even such a small amount invested in the market would grow considerably more over the course of one's career than would the same amount sent to Washington.

The Bush plan may make it easier, in the future, to limit Social Security outlays because people will have accumulated more assets in private accounts. But it doesn't solve the pyramid scheme which is Social Security. And if 2% is diverted from what would otherwise be inflows to the system, that money isn't available to pay benefits to current recipients. So Bush will face opposition from seniors—and the usual scare tactics from Gore.

To his credit, it took some courage for Bush to propose partial privatization. Every other leading candidate who's ever mentioned privatization—Goldwater in 1964 and Reagan in 1976—has suffered by it politically.

TIA: How do you think the campaign themes established at the convention will affect the election?

RMS: I think they'll weaken the case for Bush and narrow, if not reverse, his current lead in the polls. Gore repeated the same themes two weeks later at the Democrat convention. He can easily portray himself as a more consistent—and credible—advocate of altruism than is Bush. And, in fact, he is. That would be a shame. Because the last two decades show that Americans are willing to vote for a candidate who's far more pro-capitalist than either of these two. There's a good chance Gore will overcome his current deficit in the polls—and win the election.

Editor's note: As this issue goes to press, Gore has already taken a slight lead in public polls.