

“The INSURGENCY
IN IRAQ IS IN ITS LAST
THROES!”
-DICK CHENEY
MAY 31, 2005



[ECONOMY]

INFLATED EXPECTATIONS

Imagine you've bought a stack of *Weekly Standard* back issues—not because you want to read them (who would?) but because you imagine they might appreciate in value. Only they don't. Sooner or later, your dreams of avarice frustrated, you might just want to get rid of the things for whatever they'll sell for. A bad investment is a sunk cost, and holding on to the goods won't make you richer.

When something is overvalued, sooner or later its price will fall: that's what has happened with stocks and real estate. A lot of people bought houses in the expectation that prices, in defiance of gravity and common sense, could only rise. Banks invested trillions in the same delusion. But as the old saying goes, if you owe the casino a thousand dollars, you have a problem; if you owe the casino a million, it has a problem. So where do the financial firms turn? To their friends and alumni in Washington, like Treasury Secretary Henry Paulson, to beg for bailouts at taxpayer expense.

Paulson believes that nothing is worse than deflation. Falling prices lead to businesses closing, which leads to layoffs and more workers (or ex-workers) saving their cash, which leads to lower sales, lower prices, more businesses closing, and more unemployment.

Already we see it happening. Fuel prices have plummeted. The consumer price index tumbled a record-breaking 1.7 percent in November. The Fed reacted by setting interest rates to their lowest ever—"a target range" of zero to .25 percent. Uncle Sam says, borrow and buy.

But hold on. According to the *Washington Post*, "Excluding food and energy prices, which are particularly volatile, so-called core inflation was flat, at 0 percent." Food prices didn't significantly drop, thus almost all of the price

plunge came from one thing: fuel, which has indeed become cheaper in recent weeks. Outside of that, rising and falling prices balanced out—no deflation, no inflation.

Some deflation is to be expected in a cooling economy. But speculators and Keynesians fear even mild deflation—and even price stability. Hence the Fed and Treasury attempts to pump up prices and foster consumerism at a time when Americans ought to be saving more and awakening from their reveries of easy money. The government's policies risk sparking out-of-control inflation. That's what's coming when the money that banks are hoarding in reserve gets unleashed again as the economy thaws.

Look at it this way: it's no use selling those *Weekly Standard* back issues for five times what you paid for them if the money is worth ten times less than before.

[EXECUTIVE]

TERROR WAR CRIMES

It's official: torture became the policy of the United States at the behest of president Bush and senior cabinet officials, according to the Senate Armed Services Committee report on the treatment of detainees. With no dissents, the committee concluded, "Senior officials in the

United States government solicited information on how to use aggressive techniques, redefined the law to create the appearance of their legality, and authorized their use against detainees." Stress positions, subjection to loud music or extreme temperatures, stripping prisoners naked and humiliating them, leashing them like animals, siccing dogs on them—these sadisms were enumerated and discussed at length by cabinet officials, then authorized.

The details are chilling: "the techniques used were based, in part, on Chinese Communist techniques used during the Korean War to elicit false confessions." And the excuse that "a few bad apples" perpetrated these crimes was dismissed by the committee, which reported, "Donald Rumsfeld's authorization of aggressive interrogation techniques for use at Guantanamo Bay was a direct cause of detainee abuse there." President Bush himself made the "decision to replace well established military doctrine, i.e., legal compliance with the Geneva Conventions, with a policy subject to interpretation."

But the enabler-in-chief won't be called to account for sully America's reputation and corrupting its military. A few low-ranking men have been punished for detainee abuse, but those who

ordered the crimes face nothing more than a dense report dropped on a Thursday afternoon as the capital cleared out for Christmas.

[ENTITLEMENT]

PYRAMID THEME

When he was arrested for bilking investors of \$50 billion, Bernard Madoff confessed, "There is no innocent explanation." The former NASDAQ chairman had accumulated bright trophies: a lavish Upper East Side apartment, a landmark office building bearing his name, a client list straight from the society pages, a yacht called *Bull*. Over nearly five decades on Wall Street, Madoff had become legendary for weatherproof returns. Now he's even more famous—as the swindler who shamed Ponzi. Global banks and billionaire families fell victim, but so too did retirees and charities that trusted him with everything they had.

Madoff's crime seems particularly remorseless, but the mechanics aren't so novel. At Lew Rockwell's blog, Christopher Manion noted, "It seems to me that Madoff was just running a Social Security program without a license. His designer program differed from the routine in two ways: Voluntary contributions were accepted from the super-rich. In the real program, mandatory protection money is stolen by force from the poor and middle class. The reason every Social Security 'Reform' effort of the past failed is simple: like Madoff's kitty, there was no 'there' there when reformers went to look for the 'saved' money so they could invest it more wisely. The money had all been spent, immediately."

We're staring down an \$11 trillion debt while swearing in a president who promises to mend our ills with a slew of new spending. How is that more solvent or less indulgent than the Madoff scheme? It isn't—except that "when the president does it, it isn't illegal."

[WORLD]

LAME DUCKING

The Iraqi shoe-throwing incident revealed more than commendable presidential reflexes. It showed just how oblivious President Bush is to the culture of the countries he set out to renovate.

"I've seen a lot of weird things during my presidency, and this may rank up there as one of the weirdest," he told reporters on his flight home. But this wasn't quite equivalent to Helen Thomas tossing her purse in the White House briefing room. Across the Muslim world, the scene was laden with significance—the soles of the feet are the lowest, dirtiest part of a person; showing them is a grave insult. That is why the Iraqi government denounced Muntadar al-Zeidi's actions as "shameful." Only incurious George didn't know to blush.

As we go to press, al-Zeidi is still in custody, reportedly with a broken arm and ribs for recklessly test-driving that new freedom of the press. Thousands of Iraqis have taken to the streets calling for his release and hailing him as a hero. But don't expect President Bush to notice: he was unfazed by having to sneak into the country he apparently liberated.

He's ready for Iraq to be someone else's problem. In a recent interview with ABC's Martha Raddatz, Bush noted, "One of the major theaters against al-Qaeda turns out to have been Iraq." "But not until after the U.S. invaded," Raddatz countered. The telltale answer: "Yeah, that's right. So what?" ■

In keeping with our usual production schedule, *TAC* will be closed for the holidays. Our editorial offices will reopen Jan. 5, and we'll return to print Jan. 15. Until then, enjoy our blogs, which are updated daily. Merry Christmas and Happy New Year!

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[breaking ranks]

Where Have All the Neocons Gone?

Having wrecked the Right, will neoconservatives revert to their left-wing origins or double down on the GOP?

By Jacob Heilbrunn

AS BARACK OBAMA prepares to take the inaugural oath, it almost seems otiose to note that his victory represents a sweeping repudiation of the neoconservative movement. Though neocons such as Randy Scheunemann formed a kind of Praetorian Guard around John McCain during his presidential campaign, their truculent approach to foreign affairs sabotaged rather than strengthened McCain's electoral appeal. The best that Sarah Palin, a foreign-policy neocon on training wheels, could do was to offer platitudes about standing by Israel. It seems safe to say, then, that the neocon credo is ready to be put out to pasture.

Or is it? One problem with this line of argument is that it's been heard before—sometimes from the neoconservatives themselves. In 1988, after George H.W. Bush replaced Ronald Reagan, neocon lioness Midge Decter fretted, “are we a long, sour marriage held together for the kids and now facing an empty nest?” Then in the late 1990s, Norman Podhoretz delivered a valedictory for neoconservatism at the American Enterprise Institute. Neoconservatism, he announced, was a victim of its success. It no longer represented anything unique because the GOP had so thoroughly assimilated its doctrines. In 2004, a variety of commentators scrambled to

pronounce a fresh obituary for neoconservatism. The disastrous course of the Iraq War, *Foreign Policy* editor Moisés Naím said, showed that the neoconservative dream had expired in the sands of Araby.

Yet the neocons show few signs of going away. The Iraq surge was devised by Frederick Kagan of the American Enterprise Institute and spearheaded by William Luti, a protégé of Newt Gingrich and Dick Cheney who is currently at the National Security Council. Its success has prompted some neocons to claim vindication for the Iraq War overall. Nor has the network of institutions that the neocons rely upon melted away, from the Hudson Institute, where Scooter Libby and Douglas J. Feith are now ensconced, to the *Weekly Standard* and Fox News.

It's also the case that the realists inside the GOP feel more embattled than ever. Sen. Chuck Hagel has pretty much resigned from the GOP itself as well as from his Senate seat, denouncing Rush Limbaugh and others as retrograde conservatives. What's more, former national security adviser Brent Scowcroft, who has co-authored a new book with Zbigniew Brzezinski about the challenges facing the next president, has been informally advising Obama. Scowcroft told CNN, “I think we devel-

oped in the Republican Party a—well, you know, the buzzword for it is ‘neocoinism.’ But I think what it is, it's an ideology—it's really an idealistic approach to things. But it's a combination of idealism and, if you will, brute force.” As Scowcroft sees it, the neocons remain in control of the GOP. “Where do I go?” he recently asked me.

Still, if the neocons aren't necessarily on the ropes, it would probably be equally mistaken to deny that something has changed. They have undeniably suffered a number of setbacks. The sun has set on the flagship neocon newspaper, the *New York Sun*, a victim of the financial crash. The citadel of neoconservatism, AEI, has ousted Michael Ledeen, Joshua Muravchik, and Reuel Marc Gerecht. Meanwhile, Robert Kagan has incorporated realist tenets into his writings, while David Frum, who co-wrote with Richard Perle the standard neocon foreign-policy text, *An End to Evil*, and who previously demanded the expulsion of allegedly unpatriotic conservatives from the conservative pantheon (a move Russell Baker called reminiscent of the Moscow purges), now seems to be hinting at, among other things, a reassessment of neocon foreign policy. “I cannot be blind,” he conceded in a farewell address to *National Review Online* last month, “to the evidence ...