

OCCASIONAL PAPERS 1

HOWARD SEGERMARK

**Obamanomics, the Tea Party
and U.S. Politics:
Some Observations from
a Conservative Washington Veteran**

COLUMBIA
S.A.S.
X M Y INSTITUTE
v̄p̄o FERENS

www.columbiainstitute.it

info@columbiainstitute.it

© Howard Segermark and Columbia Institute, Milano 2010

www.columbiainstitute.it
www.columbaiinstitute.it/OccasionalPapers
info@columbiainstitute.it

HOWARD SEGERMARK

**Obamanomics, the Tea Party
and U.S. Politics:
Some Observations from
a Conservative Washington Veteran**

Mr. Howard Segermark is Visiting Fellow in Monetary Economics at the Heritage Foundation in Washington, D.C. This year he was elected to be a



*To Howard Segermark
With best wishes,* 

Trustee of the Philadelphia Society beginning in 2011. He is the immediate past Chairman of the Death Tax Repeal Working Group, a coalition of organizations seeking to

repeal the U.S. estate tax. He is immediate past Chairman of the National Civic Art Society, a group which promotes classical and traditional architecture.

He serves as Secretary of the Sacred Music Foundation, and is senior trustee of the American Motorcyclists Political Action Committee. He has been a senior staffer for four members of the U.S. Congress, a vice president with the economic consulting firm of economist Arthur B. Laffer, and the head of trade associations representing telecommunications and the precious metals industry.

He consults on government relations problems through his firm, Howard Segermark Associates and lives on Capitol Hill in Washington, D.C.

Mr. Segermark serves as a member of the Board of Advisors of the Columbia Institute.



Mr. Howard Segermark delivered the following remarks, Obamanomics, the Tea Party and U.S. Politics: Some Observations from a Conservative Washington Veteran, in Milan, Italy, on July 13, 2010 during a seminar organized by the Columbia Institute, in collaboration with geopolitica.info and Equilibri: A New Perspective on Global Affairs (www.equilibri.net), held at Istituto Gonzaga.



Obamanomics, the Tea Party and U.S. Politics: Some Observations from a Conservative Washington Veteran

Thank you. In the next several minutes I will discuss issues of interest primarily relating to U.S. politics and economic policy which may enable you to (a.) better understand some things that are percolating in Washington regarding economic politics and (b.) and gather some insight into U.S. electoral politics – with particular reference to the new phenomenon, the Tea Party.

I think it may be of interest to address, for a moment, my experience and why it may help you understand my observations and my point of view. I worked on Capitol Hill as a staffer to members of Congress for 18 years, and as Mark Twain said, “those who have respect for either the law or sausage should watch neither being made.”

I've seen the sausage being made. And, I've helped craft some of it, in fact.

And, please, if I lapse into Washington jargon or skip over something that deserves more explanation, please feel free to ask me to elaborate or justify an statement. Perhaps Marco will help translate an obscure word, should I use one.

First, a quiz: I will make a present of someone who can answer a question: what nation in the world that in 2009 had the greatest amount of foreign direct investment? (If no correct answer, ask the second and third... Answers in order: The US, France, and China.) The prize is a rare 100 Trillion Dollar note from the government of Zimbabwe.

From time to time, I have said that I probably stayed too long as a staffer on Capitol Hill, because the power is addictive and the Senator for whom I was working – Jesse Helms of North Carolina—was willing to delegate considerable authority to his senior staff and to exercise all of his options as a Senator. That included engaging in filibusters to accomplish his goals.

What that means is this: under the rules of the US Senate, bills are usually considered under a unanimous consent rule – meaning that *all* Senators agree to a time limit on debate on a given bill. Let us say, that the agreement would be four hours to debate the bill before the vote, the time being divided between the advocates and the opponents. Very simple.

But, any Senator has the ability to object to a unanimous consent agreement. Technically that was done in the case of bills I worked on for Senator Helms by my calling right officer of the Senate and inform him that Helms would object to a unanimous consent agreement on the bill in question. Without a unanimous consent agreement, the leader of the Senate would not be able to budget time to get other legislation passed – and usually, that meant that the bill would not even be brought up until after a unanimous consent agreement was reached.

An anecdote may be illustrative. A generation or so ago, Helms had objected to a unanimous consent agreement on debate on a bill to give the International Monetary Fund (the IMF) added loan authority. Senator Helms was filibustering the bill. I was sitting in the Senate chamber, covering another bill for the Senator, when a page – a young person charged with carrying messages for Senators – came up to me and asked, “Are you Mr. Segermark?” I told him I was. He then stated, in a manner that pages used to address Senators (which was the only people they normally served – they didn’t have to serve staff members such as myself), “Sir, would you be willing to talk to the Secretary of the Treasury. He is on the phone in booth number three in the ante-room?” Of course, a Senator might decline to talk to the Secretary of the Treasury, but a staffer like me would not. The room was just off the Senate chamber and I went to the phone booth.

I got on the phone and it was then-Secretary of the Treasury, William Simon. He was, in effect, the top finance official under then President Gerald Ford. “I’m in Manila at a meeting of the International Monetary Fund and the United States is committed to increase its support of the IMF

and the House has passed the bill I need, but Helms (my boss) is filibustering the bill. I understand that he will take your advice on this issue. (In fact he had called Helms and Helms told him to talk to me.)

Now I should also explain that Secretary Simon was not known as a person to speak mildly. In fact wherever the “F” word, or the “S” word might fit into his comments, assume they were there.

I then explained to him that I had been in touch with his staff at Treasury about this situation -- that the Senator had stated for some time that he would allow the bill to go forward under a unanimous consent agreement if the Treasury agreed to support a bill he advocated. Simon then asked me what it was. I explained that it was simply a repeal of a 1932 law that forbade people from entering into contracts denominated by gold; a gold-clause contract. [A contract that would allow, for example, me to lease your apartment in Capri for two ounces of gold a month.]

Simon asked me to review the plusses and minuses of the bill and I did so honestly and as briefly as I could. He then said, “I can support that.”

I then said, “Well, your endorsement would get the Senate to adopt such an amendment right now, but as it is late in the session and, since the House of Representatives has already passed a bill without this amendment, we would have to pass the identical bill to get the President to sign it while you are in Manila.

“So,” I said, “I’m sure that Senator Helms would accept your pledge to support the bill in the next Congress.” He agreed.

I said, “there is one more problem. It appears that Mr. Carter will defeat Mr. Ford in next month’s elections. If he does so, you will not be Secretary of the Treasury next year. However, there is something you can do. If Mr. Carter wins, on January 20th, when he is inaugurated, you will be asked to leave a black notebook in the middle of your desk for the next Secretary of the Treasury. In it you are expected to put all the commitments you have made as Secretary both domestic and international. This tradition has been ongoing since, I believe the second Adams administration. It is logical to maintain the continuity of administrations.”

Simon was unaware of the black note book tradition, but understood it, and agreed to put our agreement into it should Ford lose. His only caveat, was this, “But if (expletive deleted) Ford loses, you have to agree to write up the (expletive deleted) page in the note book for me.” I agreed. After the elections when Ford lost, Simon called me up to remind me of my pledge, and I drafted the page for his black note book. The Carter Secretary of the Treasury was true to his word. He supported the Helms bill which passed within four months of Carter’s inauguration.

Alright – that kind of experience was rare. But it was the kind of experience that gives credence to the concept of the intoxication of power. It was cool to do that as a young staffer.

But, it may be of interest to cite a conspiracy in which I was involved – the supply-side CABAL. Beginning in the Carter Administration, Arthur Laffer – of the Laffer Curve which posited that at some levels (and not all levels), tax rates are so high so that a reduction in them would increase revenues from that tax – Laffer organized a monthly Sunday lunch at a small hotel in Washington – there were several members of Congress, several economists and a several staffers that plotted how we could politically implement marginal tax rate cuts.

The theory is simple: when you change marginal tax rates, you change the relative prices to individuals who then change their behavior regarding work, investment and risk. It is neoclassical economics to some... Even John Maynard Keynes understood the principle.

But, the Reagan tax cut fight in 1981 provided a better example for today. The tax cuts in the bill didn't go into effect until January 1, 1983. Unsurprisingly, the recession continued and the Reagan boom didn't start when the tax cuts were enacted, but when they went into *effect*.

In 2001, George W. Bush presided over enactment of a tax cut bill that went into effect, in most respects, that year and the effect was immediate. But those tax cuts will expire on January 1, 2011. In other words, we can expect U.S. economic activity will decline as of that date. Art Laffer recently wrote that the currently delicate U.S. economy will be dealt a devastating blow. The U.S. will incur a double-dip recession beginning next year.

That fact is a way of introducing the topic of the economic policy of the Obama presidency.

There are four areas of great concern: taxes, energy, and the dollar—inflation.

To elaborate, this President and his deputies believe that the January 1, 2011 tax hike will *not* have the exact opposite effect of a tax *cut* going into effect. We can show that in 2001, when the tax cut went into effect, the economy reacted positively, and grew. They don't believe that repealing that tax cut will slow the economy. It appears that the economic view of this administration is that changes in incentives and relative prices affected by tax changes, have no effect on behavior – that economic growth will occur in spite of increased disincentives and changes in relative prices. I think rational people might disagree and conclude that increasing the penalties of doing business and reducing profit opportunities will have the effect of lowering the volume of business conducted.

It is also important to discuss an additional “tax” that does not net the government any revenue – the tax of uncertainty. President Obama has established a “National Commission on Fiscal Responsibility and Reform,” an entity with Paul Volcker, former Fed Chairman, at its head. Many critics regard this group as a front for more new tax hikes. Economist Arthur Laffer put it this way: “I trust Paul Volcker on monetary policy, but I wouldn't let him near taxes!” Volcker's His commission has already leaked that it may recommend new, significant taxes on the economy. A VAT has been suggested.

There is an unspoken consensus among the lobbyists of K Street in Washington that there will be federal tax increases. The lobbyists are jockeying to make sure that the interests they represent will be taxed less than others. They are *not* mounting a massive effort to stop future tax hikes.

The uncertainty factor means that a logical business plan must include a variable factor for possible tax hikes; in other words, possible increases in the real cost of doing business. How will the possibility of added taxes on capital gains, or on corporate income affect my bottom line? To the banker, that means how will added future taxes affect the creditor's ability to repay the loan? A business plan that might get financing under a lower rate of taxation, will not get financing under a higher rate. That is not, as they say, rocket science.

Oh, and new regulations and the prospect of new regulations that will increase costs are also a real new "tax." What if in February of this year, the Respinti International Oil Company finished writing a solid business plan for investing in a new deep-water oil derrick in the Gulf of Mexico. Five months ago, they had strong indications that they had the necessary \$500 million financing. But, in after the Deep Water Horizon incident, there was a meeting of investors and, no, the partners didn't simply pull their investments – but they wanted a revision in the business plan which included solid estimates of the costs of likely future regulations on such an enterprise. The drilling "moratorium" that President Obama imposed was also, in practice, an investment moratorium. It is not simply the 200,000 or so jobs related to off-shore Gulf operations that are being destroyed, it is also the

loss of the added tens of thousands of jobs that would have been created. The uncertainty of future regulatory costs means that businesses can not rationally invest.

These uncertainties compound the disincentives incorporated into this Administration's economic policy.

Let us look to energy policies. On June 15th, in his first address from the Oval Office, the President reiterated his support for so-called "green" energy, and had the amusing audacity to contend that massive subsidies to these so-called renewable energy sources would be a net creator of jobs and prosperity. It is as if Frederic Bastiat's candle maker's petition was adopted. You'll recall that the 19th century French economist's parody: if the candlemaker's could only get the French Chamber of Deputies to prohibit the construction of windows in new buildings, people would have to buy more candles, lanterns etc., and this new demand would result in more employment and prosperity.

The Obama administration's assumption is that there is no real cost to the massive subsidies that are required to make wind and solar, ethanol and geothermal energy appear to be viable alternatives. Real cost accounting tells us that the only economically viable energy sources are oil, nuclear, coal and natural gas. But that isn't politically correct. No one proposes using real cost accounting.

It is clear that this policy will not make the US or the world richer. What we don't know is how much poorer we will be.

Let me summarize: the current administration has a world view that includes a serious gap between where they are and where the real world is.

There are many, many people who remain enamored with this administration. They remain the core of Obama's support. They include the many interest groups that have benefitted and will benefit from the policies he advocates and will fight for.

But there is the large constituency that has arisen in opposition to the administration. It comes from a number of sources. The most prominent new group is known as the Tea Party. The organization is of interest in that it is not an organization. In fact most of the people who are involved in the "movement" disavow any interest in a national organization.

It is, in fact, a political phenomenon made possible by Internet social networking and the low regard for the political establishment. It has enabled people deeply concerned about the current administration policies to protest, to organize locally and to recruit and get behind local and state-wide candidates.

The Tea Party movement, in my mind, is a delightful American phenomenon which has the grand characteristic of screwing-up the orthodoxy of Washington and the high-dollar consultants. It defies the old-line established leaders of normal party politics. Because it is not partisan, and it is not controlled by the parties, it is threatening to both parties.

And, its efforts are generally anti-incumbent. Tea Partiers don't like the establishment. Witness conservative Senator Robert Bennet losing his bid to run for re-election in Utah; the election in Massachusetts of Senator Scott Brown over the expected Democratic shoe-in; the nomination in Kentucky of libertarian Congressman Ron Paul's son, Rand, to be the Republican nominee over the man favored by GOP Senate Leader Mitch McConnell.

A key indicator is the Nevada Republican primary for the Republican nomination against Senator Harry Ried, Democratic leader of the Senate. (I'll talk more about that in a moment.)

The Tea Partiers are painted by some politicians and members of the media as radicals, racists or violent. In fact it seems that they comprise a large number of people who have identified themselves as independents – not affiliated to either party. When asked, the percentage of Republicans is about 40%, and Democrats are about 15%. What is more interesting is that the majority are people who have identified themselves as *not* having been politically active before. 69% named the economy or the size of government as the most important issue.

It isn't just Tea-Partiers that are skeptical of Obama's policies. Three national polls taken in the past five weeks (from mid-June) asked if people if they agreed with the statement that the federal \$1 trillion "stimulus" bills either created jobs or stopped job loss. These polls showed agreement with that premise in the following percentages: 11%, 9%, and 6%. On average only 8% of Americans believe the President when he says his spending was helpful in creating jobs or stopping job loss.

I attended the first major Tea Party rally in Washington last September. As you might surmise, in my years in Washington, I have been in town when there have been “Million Man March”-es, and protest marches, and numerous large gatherings. Having grown accustomed to these phenomena in my city, I pay scant attention to them. But last fall, two good friends of mine, both happen to be surgeons who were stirred by the radicalism of the Obama health care proposals and the massive spending programs decided to come to Washington and another long-time friend was a woman who is a senior executive in an information technology company in Florida informed me she was coming to Washington with three other lady-friends. So, I, of course, attended the event on the Mall with them and it was an eye-opener.

We marched from the White House, the two-kilometers or so to the Capitol and tried to get close enough to the podium to hear the speakers. We couldn't. The organizers came to a meeting I attended the next week and said that the public address system they had was guaranteed to be heard by 100,000. But when I was there, we couldn't get close enough to hear the speakers. The Washington Post reported that there were “over 10,000”. Not the quarter-million that later estimates confirmed.

And the real proof of the crowd size? The organizers had rented enough port-o-potties to serve 100,000, and there were long lines and thousands went into the National Gallery of Art there on the Mall which had problems accommodating the overflow.

The crowd was reflective of the nation in many respects, but if anything, more civil and up-beat. The salesmen were there and there were brisk sales in American flags, and in American Revolutionary War flags – “Don’t Tread on Me” was popular. Hand-painted signs were hardly radical, such as “Your Mortgage Isn’t My Problem,” and “Don’t Unplug Grandma” – referring to the expected rationing of health care under the Obama health care plan.

A colleague of mine has met with and advised Tea Party activists in many states and his report is most interesting – these people are not simple, not reactionary, and not partisan. Though the Tea Party is committed to *no* national organization, *no* affiliation with Republicans or Democrats, and *no* national platform, there are some generalizations that can be made:

The Tea Party is greatly upset with the Obama Administration’s massive goals regarding healthcare, energy, and the environment. They regard many of the claims as patent lies. Specifically, that the healthcare reform will actually reduce healthcare costs; that massive subsidies to windmills, and “green” energy will have a real positive effect on foreign oil dependence; that the so-called carbon “cap and trade” scheme will be good for the nation.

It is also clear that most Tea Party people tend to be supporters of the U.S. military and are instinctively supportive of military endeavors. However, there is great concern about the conduct of U.S. efforts, their costs and their effectiveness. Tea Party groups are often split on their support of American efforts in Iraq and Afghanistan.

As I mentioned earlier, the most notable test of the Tea Party was in Nevada on June 15, when Sharon Angle won the Republican party nomination to run against Senate Majority Leader Harry Reid. She defeated the “establishment” candidate, former GOP state chairman, Sue Lowden.

I’ve spoken to Lowden who was a reluctant candidate but confident that a good candidate could defeat Reid. I have to admit that she was much more of an orthodox conservative – and not a strong libertarian. She was defeated by a woman who has called for the privatization of the Social Security system, ala the Chilean example.

Another key issue among the Tea Party activists: their dedication to the U.S. Constitution – as originally written.

It is important, I think, to address the accusations of some – particularly Democratic – politicians who dislike some or all of the Tea Party activists’ position. Nancy Pelosi, Speaker of the House said it reminded her of riots in the 1960s; implying that the Tea Party activists were racists. Indeed, the Washington Post reported that the Tea Party people “resemble faces of protesters lining the street at the University of Alabama in 1956” as the first black student enrolled.

Politically, the “race card” is often played against those who oppose the so-called “progressive” agenda of Obama, Reid and Pelosi. If one wanted to cut the appropriation for flood relief after Hurricane Katrina in New Orleans, it was because you were a racist. If you support enforcing current laws against illegal immigrants to the U.S. via the Mexican border, you are a

racist. And, now the latest permutation: if a politician opposes the policies of the first black American president, then we must ask if he is doing so because of the melanin content in the President's skin and not the merits of his policies.

But what is the likely political impact of the Tea Party movement? Some brush it off as saying that it will simply be a few new Republicans in pick-up trucks. But the underlying sentiment been building well before the election of Barack Obama. These are the people who in 2008 might have turned-off by the spending of the George Bush administration, the corruption of the Republican Congress, and the evident incompetence in handling the financial crisis.

[Parenthetically, I would also speculate that a lot of people share my view that John McCain is a whack-o – having personally seeing him act irrationally on the floor of the Senate.]

It may be worthwhile to insert an added anecdote here. It has been said that Obama political advisor Rahm Immanuel, said, “Remember, a crisis is always an opportunity to do something.” His cynicism about the opportunity that the financial crisis and the recession has given the Obama administration, is not new.

The lack of clear achievements in foreign wars gave the American people added reason to question the Bush administration and Republican governance. Just as Tea Party activists see many Obama initiatives as cynical attempts to use the recession to achieve political gains, so to, they question the competency of this Administration.

It is said that Europeans respect American managers and engineers as being highly competent – more than they really are. But, Americans, I think, share that prejudice. There are few critiques more devastating than incompetence. Americans were sincerely embarrassed by the fact that when our President met with the Prime Minister of Great Britain, he gave him a collection of DVDs available at the White House Gift Shop, but which couldn't be played on DVDs in England. He then presented Her Majesty with an I-Pod loaded with his speeches. Secretary of State Hillary Clinton gave President Medvedev a red button that supposedly said, in Russian, "Reset" to mimic Obama's pledge to "reset" U.S.-Russian relations. Instead it had the Russian word for "overcharge."

More substantive gaffs have been perpetrated, including the Obama speech in Cairo last year to "the Muslim world." The very phrase pays obeisance to the Islamist goal of a worldwide caliphate.

Not surprisingly, the Deep Water Horizon oil rig disaster has hurt Obama's remaining public confidence.

It is also fair to say that Jimmy Carter was defeated in 1980 on the basis of competence. His handling of the Iranian hostage situation, his seeming lack of understanding of inflation, the fact that he drove himself so hard as a jogger that he collapsed in front of cameras and then he told the press that he was rowing a canoe and was attacked by a swimming rabbit. It was too much to take. [An anecdote: I was having lunch at the Cosmos Club in Washington in 1979 or so. It was raining and there was a line for cabs. A

60-ish, portly, Indian gentleman was in line behind me and I said, “Excuse me sir, I am heading to Capitol Hill (as I still worked for a member of the Senate). Are you going in that direction? He told me he was going to Union Station – right on the way. When our turn came, we got into a cab and began small talk about politics. He then asked me in all sincerity, “Excuse me, but I do not mean to offend your great country, but what do you think of your President Carter?” He naturally assumed that asking an American about Carter would embarrass the American.]

But Obama is no Carter. And the likely Republican candidate will not be a Reagan.

I would like to engage in some prognostication. If there is no major international crisis or a successful terrorist attack on American soil in the next sixteen weeks or so, I believe that the Republicans will regain control of the U.S. House of Representatives. In addition, it seems likely that the Republicans will pick-up six-to-eight seats in the Senate; making it more difficult to get any controversial Obama proposals through Congress. Republican control of the Senate is possible.

For those students of ancient history, this may sound like what happened in 1994. Clinton lost the House of Representatives but two years later, he won re-election. In fact it is plausible that if the Republicans win the House this year, the Administration will likely claim GOP Congressional “obstruction” which may hinder any GOP Presidential candidate in 2012.

But who could be the candidate?

First, why would anyone run for the Presidency? Senators run because their candidacy increases their prestige and their image of importance – their gravitas. It also increases their popularity and the size of future speaking fees when they retire. They stop running for President when they run out of money – in other words, when people stop giving money to them. But, if they have even a small chance of success, the candidacy itself is a good political move. If they are very lucky, lightning will strike and they will become the nominee for their party. If they are very, very lucky, the winds will blow in their direction and they will be elected President. Let us remember that in 1972, Richard Nixon was almost certain to be re-elected. Therefore no substantial Democrat wanted the nomination and George McGovern got it. He was influential in changing the Democratic party into the far-left party we have today. Similarly, in 1992, George H.W. Bush after running an international consortium to recapture Kuwait had an 85% approval rating – unheard of. Therefore it was felt that the Democratic Presidential nomination wasn't worth anything. A young, good looking, Arkansas Governor got the nomination and astoundingly he won!

The Republicans will almost certainly NOT give the Presidential nomination to a Senator in 2012. Senator McCain was an embarrassment (even though he got an astounding 57% of the vote in spite of the financial crisis and in spite of George W. Bush). Senator Bob Dole in 1996 was also an embarrassment.

Governor George Romney is possible, though his Mormonism and his endorsement of the Massachusetts health care system which mimics Obamacare are big handicaps.

Governor Mitch Daniels of Indiana is a solid, bright, capable conservative who is has an aggressive comb-over – though not quite in the Donald Trump league – and is only about 5’8”. I’ve known Mitch since he was a fellow Senate staff aide. I’d trust him. I think he could attract very serious fund-raisers.

But Governor Sarah Palin is not a viable candidate at this time. She is working the Republican fund-raising circuit, and is learning a lot. She hasn’t been picking-up people who would manage a Presidential finance committee – those big hitters who could raise the big bucks.

I have a personal favorite dark-horse candidate: Congressman Paul Ryan of Wisconsin. Here is a man with comprehensive, innovative legislative proposals for tax reform and for health care reform. He represents a district in Wisconsin that has a majority Democratic registration, and a very high labor union membership but he wins reelection with 70% of the vote. He’s eloquent and is able to attract not only the policy wonks, but grizzled political types. I would encourage you to check him out on YouTube and on other sites.

There will be others. I wouldn’t be surprised if Ron Paul runs again. Of interest is that much of the Paul support came from anti-war activists.

And, if the wars continue, we can expect this to be a major issue – and frankly, it would be healthy. I am frankly astounded at the lack of energy behind anti-war efforts in the U.S. at this time.

Finally, I would like to make some remarks on money and monetary policy. As Marco mentioned, I attended a “Monetary Roundtable” in Santa Columba, outside of Siena last weekend. Some years ago, Nobel Prize winning economist Robert Mundell bought a palazzo built by Cosimo Medici III in the 1640’s. It was there that he has held this Roundtable for many years, and it was an honor to participate in it last weekend. Those in attendance included former finance ministers, central bank leaders, and economists and leaders from China, Japan, Germany, Israel, Spain, Italy, Mexico, Argentina, Chile, the U.S. and many other nations.

As you can expect, there was considerable attention paid to the future of the Euro. Mundell has been called the “Father of the Euro” and he has been in the media talking about the future of it.

What fewer people know is that he has been a monetary advisor to the Peoples Republic of China – and Bob had been an advocate of fixed exchange rates – it seems clear that he has tried to explain to PRC leaders the logic of fixing the Yuan to the dollar. I feel confident that when he teaches at the Chinese-government-established Robert Mundell University for Entrepreneurship near Beijing, he conveys his wisdom to China’s future leaders.

I will summarize some of my gleanings from the Mundell Roundtable at this point. One of the forty or so participants was Czech Republic President Vaclav Klaus, who said that the biggest danger of the current financial crisis is that the solutions adopted will cause deeper and more crises in the future. Domingo Cavallo, former Argentine Finance Minister suggested we are in a crisis of confidence.

There were probably just two economists who thought that the Euro will not survive and will not be stable. We did have a very capable Greek economist, Miranda Zafa, who seemed to convince most of us that Greece will actually get through the crisis though there was also general agreement that Greece will have to “restructure” its debt within the three-year timetable agreed to with the European Central Bank and the IMF. Former Israeli Central Bank Chairman Jacob Frenkel agreed that restructuring is necessary but argued for twenty more months before they do it – to keep the pressure on for salutary policy changes, and to give the European banks that hold Greek debt have time to get ready to take the hit that restructuring will mean.

Bob Mundell spoke in favor of an international agreement which would commit the US and the ECB to limit the Euro-Dollar exchange rate instability – with a long-range target of a fixed exchange rate which would provide the base for a possible world-wide stable monetary system.

In sum:

Regarding Obamanomics, I find logical inconsistencies – inconsistencies that make me think that the economic rebound of the U.S.

economy is not coming soon. It will be massively handicapped by rising taxes, more regulation, and more uncertainty.

Regarding the Tea Party, this is a movement caused by the disregard of both the Bush and Obama administrations of people's skepticism of the ability of government to be the ultimate solution to societal ills. Their thesis is bolstered by reality. Tea party activist will have a major impact on the November elections and will be decisive in many.

I will conclude with an anecdote about one of my idols, Frederic Hayek. He and I were invited to speak to a conference in New Orleans on investments, on gold, and inflation, back in the '70s. One sponsor of the conference was an investment newsletter writer who had charged his subscribers \$250 per person (a lot of money then) to attend the dinner at the famous French Quarter landmark restaurant, Antoine's. The panel was to be a great Canadian bank analyst, Hayek and me. The sponsor was a man named, Jim Smith.

The evening started with cocktails and hors d'oeuvres and champagne. It came time to sit down and I was next to Hayek. I was very excited and engaged him in talk about the gold standard, competitive currencies and other issues. We had white wine with the Crab Remoulade and red wine with the Steak Dianne. The host took the podium in an obvious state of inebriation and to our surprise, started to berate the people who had kicked-in the money to attend: something like "You people don't understand the tremendous information I provide you and the tremendous information you're going to be getting from this great panel... etc., etc." He simply

ranted for about five minutes and then walked unsteadily out of the room, presumably to the men’s room. Everyone was amazed by this performance. When Smith left the room, Hayek turned to me and said, “Howard, this is very Orwellian.” I responded, “Professor, what do you mean?” (We both had taken advantage of the hospitality, including the champagne, the white wine and the red wine.) He replied, “All are equally drunk, but some are more equal than others.”

If Hayek were with us today, he might comment regarding the economic policy makers in so many nations today and observe: “All are equally drunk, but some are more equal than others.”



OCCASIONAL PAPERS

Edited by Marco Respinti

- 1 Howard Segermark, *Obamanomics, the Tea Party, and U.S. Politics: Some Observations from a Conservative Washington Veteran*, 2010
- 2 Howard Segermark, *Obamanomics, “Tea Party” e politica statunitense: osservazioni di un veterano conservatore “di lungo corso”*, 2010
- 3 Roger Scruton, *Global Democracy?*, 2010
- 4 Roger Scruton, *Una democrazia globale?*, 2010



The Columbia Institute is a non-profit educational organization based in Milan, Italy. It is devoted to serve and protect the Western heritage of life, liberties, and property, operating toward the restoration of the humane and virtuous society of responsible citizens, limited government, free enterprise, natural family, and traditional moral values.

Marco Respinti, President
marcorespinti@columbiainstitute.it

Michelangelo Longo, Vice president
michelangelolongo@columbiainstitute.it

Board of Advisors

Silvio Dalla Valle, Howard Segermark, Roger Scruton