

David Stockman's Contra Corner

By David
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The robots and day traders greeted last Tuesday's Republican election sweep with another kneejerk rally because the GOP's new Capitol Hill dominance will allegedly be good for investors. Would that there were any real investors left—but, in any event, what the election really did was populate the Imperial City with a huge new phalanx of neocons and hawks.

In a word, the War Party won. This means that the Warfare State will prosper, the budget deficit will again soar, more government shutdowns will materialize and the day of fiscal reckoning will come that much sooner.

How that is good for investors is hard to fathom. But never mind. The casino previously known as the stock market trades one day at a time based on the monetary juice and word clouds emitted by the world's central banks. This new Wall Street casino anticipates no future, remembers no history, discounts no risks and discovers no honest prices. It is a hothouse colony of the central banks.

To be sure, once upon a time the prospect of escalating war and blood in the trenches caused markets to tank. Investors knew that cranking up the war machine meant higher taxes, currency inflation, capital market dislocations, economic regimentation, trade disruptions and productive asset destruction. They down-rated the value of current profits accordingly.

But we are in a different world today—an unreal one where government debts are massively monetized and wars are fought on the far side of the earth with high altitude bombers, sea-launched cruise missiles and drones piloted from the Nevada desert. When boots are needed on the ground, they are worn by mercenary soldiers who are hired from an underclass that has been discarded by a failing economy. And when it comes to funding such remote and antiseptic warfare, Washington extracts heavy payroll levies (income and social security taxes) from the diminishing share of citizens still employed, and places enormous liens on unborn taxpayers (i.e. borrowing) to cover the rest.

The fast money traders sweat none of this, however. The blowback from aboard and the payback of public debt is about tomorrow. The stock averages are about today's ECB leak to Reuters or the latest Hilsenramp missive from the Fed.

Likewise, the hard-pressed main street masses take their tax-shrunken paychecks to the grocery store and the mall, hoping to get by for another week. So doing they remain utterly disconnected from the strum and drang of the beltway war rooms. They encounter Washington's costly and destructive foreign excursions only as war game videos on CNN and as defense jobs and other military pork spread widely among the provinces.

The War Party thus has no political burden in making its case. Money politics, remote control warfare, and anti-Islamic hysteria have been more than enough to purge opposition from both the left and the right.

The anti-war left, which brought the folly of Vietnam to an end and sent the most power-hungry President in American history, Lyndon Johnson, to early retirement, is no more. Instead of courageous dissenters like Fulbright, Church and McGovern, the Senate Democrats are led by intellectually challenged war-mongers such as foreign affairs committee chairman, Robert Menendez, and intelligence committee chair, Diane Feinstein. On the Republican side, instead of fearless doves like Mark Hatfield and George Aiken, we have AIPAC water boys like Senator Mark Kirk.

And forget the anti-interventionist right. That died with Senator Robert Taft and had been dormant for 50 years until Rand Paul showed up in the Senate. But thanks to Black Tuesday the GOP establishment and neocon mafia will

surely launch a ferocious new campaign to isolate and destroy him as an “isolationist”. Undoubtedly, in an effort to escape the big smear and complete marginalization, Senator Paul has already begun to trim his anti-interventionist sails, and has regrettably even endorsed the bombing campaign in Syria-Iraq.

That’s sad, but its also indicative of **the overwhelming dominance of the War party** inside the beltway. And the emphasis is on the beltway part. By contrast, during the congressional election campaign there was no Republican more in demand out in the provinces than Rand Paul—and we are talking about real Republican rallies and fund-raising events, not the Dartmouth libertarian club.

Stated differently, **the rule of the War Party is embedded within the beltway which encircles the Imperial City**. The striking prosperity there has been fueled overwhelmingly by the vast expansion of the Warfare State and the homeland security and spying apparatus that has mushroomed since 9/11. It amounts to **the epitome of Big Government, and the irony is that it has been ushered in by the neocon-dominated GOP**.

Needless to say, the big government of the Welfare State and the Warfare State share a common defect. Namely, an inexorable impulse to justify their existence and expand their missions and resources. In the process, **facts and objectivity are lost** within the self-serving frameworks and narratives that emanate from the machinery. And in the case of the Warfare State, especially, this includes the massive network of military, intelligence and homeland security contractors which supply the system.

The Warfare State has been around for decades, of course, and was presciently warned about by President Eisenhower in his farewell address on the dangers of the military-industrial complex. In fact, his original hand-written version had included reference to **the dangers of a tripartite complex** that included Congress, which he was persuaded to drop for reasons of comity between the branches. But Ike was right to include the capitol hill component—and not only because of its traditional function as a dispenser of military pork.

In a manner which he could never have anticipated, Congress has become an integral component and leading edge of Washington’s global interventionism, not merely a secondary distributor of military pork. That has happened for two principle reasons.

The first is that wars don’t have to be financed with taxes any more—the debt is just monetized by the nation’s central bank. But that has removed a powerful legislative braking mechanism on the Warfare State bureaucracy.

The Korean War was shutdown in a ragged truce, for example, because of the vast unpopularity of the heavy war taxes which, to his credit, President Harry Truman had insisted upon at the war’s onset. Likewise, what ultimately turned the mainstream democrats on Capitol Hill against Lyndon Johnson’s Vietnam invasion was the 10% surtax on every individual and corporate income taxpayer in America that LBJ was forced into in 1968 in order to staunch the massive red ink emanating from his “guns and butter” budget.

Compare that to the George W. Bush wars. The latter were financed, on the margin, by Alan Greenspan and Ben Bernanke. Had Washington not been knee deep in the regime of central bank interest rate pegging, the huge Bush war deficits would have driven interest rates sky high in an honest free market.

Stated differently, Congress would have been dragooned into the unpleasant business of cutting domestic spending and raising taxes in order to finance the \$2 trillion cost of the Bush wars in Afghanistan, Iraq, Somalia, Yemen, Pakistan and numerous less places. And that’s to say nothing of also financing the massive ballooning of the spying apparatus and so-called homeland security budgets. The latter alone soared from less than \$25 billion to more than \$100 billion.

Exempted from their constitutional duty to take the cost of war home to their voters, the Incumbents Club which resides on Capitol Hill had unlimited discretion to succumb to the anti-terrorist hysteria and islamophobia that was cranked up after 9/11. And that suggests **the second** reason why the historical aversion to foreign wars which

long resonated on Capitol Hill has been transformed into enthusiastic complicity.

Divorced from the voters back home, Washington has taken on the mindset and mores of an imperial capital. The time has long passed since there was a real debate about how to define the “national interest” and how to determine among the unpleasanties, upheavals and out-croppings of evil which constantly arise around the world—which ones truly jeopardize the safety and security of the citizens of Springfield MA and Lincoln NE.

And we are here talking about physical safety in their homes and public places—not their ire, disgust, pride, paranoia, idealism or voyeuristic appetites. Needless to say, those kinds of distinctions are not even broached in Washington these days because in an imperial capital the reasons of state are plenary. There is not an event, development, conflict or situation anywhere on the globe that does not necessitate urgent assessment and raise the possibility of actions, orchestrations or interventions by one or another arm of Washington’s vast imperial machinery.

Stated differently, the urge to meddle, manage and manipulate the affairs of the world is now so deeply embedded that it has become the preponderant business of Washington. The alternative regime of non-intervention which led even Woodrow Wilson’s democratic Speaker of the House to oppose his call for war in April 1917 has been thoroughly and decisively extinguished by a century of world wars, cold wars and wars on terror.

Indeed, it is not far-fetched at all to compare today’s Washington with Imperial Rome. Crystallized in the following excerpt from the great Joseph Schumpeter’s astute observations about the plenary impulses which animated the latter is an apt descriptions of today’s atmosphere in our nation’s capital:

Here is the classic example ... of that policy which pretends to aspire to peace but unerringly generates war, the policy of continual preparation for war, the policy of meddlesome interventionism. There was no corner of the known world where some interest was not alleged to be in danger or under actual attack. If the interests were not Roman, they were those of Rome’s allies; and if Rome had no allies, then allies would be invented. When it was utterly impossible to contrive such an interest — why, then it was national honor that had been insulted. The fight was always invested with an aura of legality. Rome was always being attacked by evil minded neighbors, always fighting for a breathing space. The whole world was pervaded by a host of enemies, and it was manifestly Rome’s duty to guard against their indubitably aggressive designs.

So this is the context in which to understand Tuesday’s election results. They mean that the most eager and enthusiastic backers of Washington’s imperial enterprises will move front and center.

Foremost among these is Senator John McCain, who will now become chairman of what used to be the Senate Armed Services Committee. From now on, however, it might as well be called the just plan “War Committee”.

And folks don’t be confused. The Senator from Arizona has truly lost his marbles. He has strutted around the Imperial City for so long that he fancies himself a Roman Emperor—commanding the legions and bringing swift and brutal justice to any tribe or nation that does not genuflect to Washington’s rule.

Wednesday morning’s missive from the neocon polemicist, Eli Lake, leaves nothing to the imagination as to what McCain and his War Party confederates have in mind:

The Republican victory in the 2014 midterms is less than 24 hours old. But already, the hawkish wing of the GOP is planning an ambitious battle plan to revamp American foreign policy: everything from arming Ukraine’s military to reviewing the ISIS war to investigating the U.S. intelligence community’s role in warming relations with Iran.

In an interview Wednesday, Sen. John McCain, the incoming chairman of the Senate Armed Services Committee, said he has already discussed a new national-security agenda with fellow Republicans Bob Corker and Richard Burr, the likely incoming chairmen of the Senate Foreign Relations Committee and Senate Select Committee on Intelligence.

“Burr and Corker and I will be working closely together on everything,” McCain said. “For example, arms for Ukraine’s [government], examination of our strategy in the Middle East, our assets with regard to [Russian President Vladimir] Putin in the region, China’s continued encroachment in the South China Sea.”

McCain said his first order of business as chairman of the Senate Armed Services Committee will be to end the budget rule known as sequestration, which requires the U.S. military to cut its budget across the board.

This agenda is such madness that you hardly know where to begin. But start with the present moment’s leading hysteria about the kind of foreign “threat” that was always animating the Romans rulers in their time. That is, **the purported threat far from America’s borders of the Islamic State and ISIS.**

The obvious fact of the matter is that this band of a few ten thousand butchers and jihadist fanatics **does not have an even remote capacity to pose a military threat to the American homeland.** Indeed, if it were not for the prior stupidity of arming and equipping proxies like the so-called Iraqi army and the purported “Syrian moderates”, ISIS would not even be in a position to control the lands—mostly desert surrounding the Sunni towns and villages of the Euphrates valley—now under their bloody sway.

Their rise to power was not owing to fanaticism, superior military strategy and leadership or vast popular support; it happened because they had the most lethal tanks, armored vehicles, heavy artillery and advanced weaponry that **Washington** could provide.

But is it really possible that Washington will go the next step and provide its local proxies with long-range aircraft, intercontinental missiles and modern warships that could fall into ISIS’ hands and be used to actually launch an attack on US soil? Surely, even Senator McCain, missing marbles and all, could not come up with a scheme that preposterous. Yet how else would such truly threatening weapons be obtained by the Islamic State?

Indeed, there is no plausible basis for believing that this rag-tag crypto-state could come up with the economic resources needed to fund even a 10th rate military. The alleged 30,000 barrels of oil per day which they once controlled amounts to tiny economic beans, not a meaningful state budget. In fact, ISIS does not have the technical capacity to keep these fields in production for a sustained period of time, and even less so in today’s world of rapidly sinking oil prices.

As to other sources of revenue, does any one in their right mind believe that the proceeds from hostage-taking could support the apparatus of a militarized state capable of threatening America’s security? Likewise, can the taxes extracted from the bedraggled citizens of the several hundred major towns and villages within the Islamic State even cover the cost of internal administration and control needed to subjugate the involuntary inhabitants of this medievalist “caliphate”?

Not only is America not militarily threatened by the Islamic State, but neither are most of its neighbors. Certainly Turkey, which possesses a modern military force of more than 400,000 professional soldiers, 1,000 war planes and helicopters and 3,000 tanks and armored vehicles, is not. Nor are the Iranians or even Saudi’s for that matter.

And the fact is, the nations of the so-called Shiite Crescent—consisting of Iran, the regions of Syria still controlled by Assad, the Shiite heartland of southern Iraq and Hezbollah Lebanon—can also take care of themselves. As can the incipient state of Kurdistan in northeast Iraq. And surely Israel can deal with any real threat that the Islamic State

might be foolish enough to actually bring to bear on its citizens.

In short, the only threat that ISIS poses to the citizens of America is the ultra-remote chance that terrorists operating from its territory might penetrate the considerable homeland security protections of one or more American cities. But there is absolutely nothing new about that remote possibility—it is an endemic condition of the modern world. And it probably does not even equal the continuous threat to civilized society posed by homegrown malcontents and misanthropes of the variety that keeps CNN's viewership ratings alive and its finances marginally safe from the bankruptcy court.

In any event, we have 20 years of proof that bombing and droning does not eliminate the generic terrorist threat that abides in today's world; it just breeds more of them.

The truth is, Washington's anti-ISIS strategy is in complete disarray because it is meddling in tribal and religious conflagrations in Syria and Iraq which have nothing to do with the safety and security of the American people in the farms, towns and cities where they live.

Only in an imperial city like Washington DC do the rulers claim that every square inch of planet Earth must be safe for their citizens. Only in a modern day Imperial City, like ancient Rome, does a breach of that dictum—including the despicable act of beheading several Americans who wandered into harms way in a self-evident zone of barbarism and war previously known as the state of Syria— amount to a casus belli.

Yet with the War party firmly in the saddle owing to last week's election results, and the "peace President" in utter retreat and capitulation owing to the oppressive bipartisan consensus in the Imperial City on the Potomac, that is exactly what we have.

That is the ultimate irony. In a world where America has no remaining industrial state enemies capable of doing it military harm, Washington is now locked in a state of perpetual war. That ultimately bankrupted Rome. Why should this time be any different?