Washington’s Anti-America Foreign Policy: Why America Can’t Win Wars Any More

August 22, 2021
WASHINGTON'S ANTI-AMERICAN FOREIGN POLICY

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The Biden Regime’s disgraceful withdrawal from Afghanistan inflicts still more harm on America’s reputation and prospects than has been inflicted already this century under predecessors Bush (2001-2009), Obama (2009-2017), and Trump (2017-2021). The disgrace is not in withdrawal per se—that should have occurred in early 2002, after the U.S. got to Afghanistan, failed in its mission to kill Osama Bin Laden and destroy both the Taliban and Al-Qaeda (all were allowed to escape the country), and refused to correct.

The disgrace is Biden spitting on the honorable U.S. principle of “no soldier left behind” when leaving a battlefield. His vile regime has deliberately left many thousands of America civilians behind in Afghanistan; each is now prone to being humiliated, tortured, raped, and killed by Taliban savages. The further disgrace is Biden appeasing the Taliban, allowing it to take over Afghanistan, evacuating U.S. military personnel before evacuating roughly 15,000 American civilians, and leaving behind $83 billion in U.S. copters, tanks, weapons, and ammunition; the “U.S.-trained Afghan army” of 300,000 “soldiers” defected and dissipated in just a few weeks.¹

Only six weeks ago, America’s clueless Dotard-in-Chief claimed that “the likelihood there’s going to be the Taliban overrunning everything and owning the whole country [of Afghanistan] is highly unlikely. The Taliban is not the North Vietnamese Army [in May 1975]. They’re not remotely comparable in terms of capability. There’s going to be no circumstances where you’re going to see people being lifted off the roof of an embassy in the United States from Afghanistan.”²

In fact, the U.S. military could barely secure a single runway at the Hamad Karzai airport; hundreds of towel-pajama-sandal-clad Afghans could be seen racing after a U.S. Air Force C-17 cargo plane as it rumbled down the runway (see page 3). The savages seemed to be testing a 7th century theory that one might be able to sit inside a landing gear well or atop the wings of a massive, 141-ton flying machine and be transported miraculously to safety after it climbed to 30,000 feet and approached its maximum speed of 590 miles per hour. How did things go? Soon after take-off, Afghan bodies could be seen plummeting to the ground. Splat. Another splat. Splat again. Many more splats. Nothing in the Koran told them it

¹ “Billions in U.S. Weaponry Seized by Taliban,” The Hill, August 19, 2021. Excerpt: “The U.S. spent an estimated $83 billion training and equipping Afghan security forces over the last two decades. Between 2003 and 2016, the U.S. transferred 75,898 vehicles, 599,690 weapons, 162,643 pieces of communications equipment, 208 aircraft, and 16,191 pieces of intelligence, surveillance, and reconnaissance equipment to Afghan forces, according to a 2017 Government Accountability Office report. From 2017 to 2019, the U.S. also gave Afghan forces 7,035 machine guns, 4,702 Humvees, 20,040 hand grenades, 2,520 bombs and 1,394 grenade launchers, among other equipment, according to a report last year from the Special Inspector General for Afghanistan Reconstruction (SIGAR). As of June 30, Afghan forces had 211 U.S.-supplied aircraft in their inventory, a separate SIGAR report said. At least 46 of those aircraft are now in Uzbekistan after more than 500 Afghan troops used them to flee as the government in Kabul collapsed over the weekend.”

was impossible. Did they hope to reach America, the “Great Satan” according to their Islam (and for many American “intellectuals,” too)? Isaac Newton and the Law of Gravity gave the answer—and cosmic justice was served.

U.S. foreign policy since 9/11 has badly tainted the stature and reputation of America’s military, intelligence services, and diplomatic corps; this invites future aggression from the world’s most vicious actors. In the coming weeks expect to see hostage-takings, video-taped brutality, perhaps even terrorist assaults marking the 20th anniversary of 9/11. Before long, China, Russia, Pakistan, and Iran will move in, like vultures, take what they can and use it to hurt the U.S.

What is the lesson here? The world’s “superpower,” with the most modern military, in two decades couldn’t eradicate or even reduce the footprint of 7th-century Muslim terrorist gangs in Afghanistan. The Taliban now control more of that Hell hole than before the U.S. got there in October 2001. It has more and better weaponry than ever before—U.S. weaponry. Afghanistan now has modern airbases and airports, built by the U.S. It is now better positioned to be a terrorist-hiding, terrorist-training territory than it was before 9/11.

By every possible measure, relative to it “mission” the U.S. got the precise opposite result; instead of quickly vanquishing the enemy, the U.S. emboldened and armed it, while exposing the U.S. as a craven, pathetic, paper tiger. Biden’s adage is “Build Back Better.” He’s done that for the Taliban—and for a permanently terroristic Afghanistan.

Amid all of this, we observe no impeachments, no investigations, no inquiries, no court-martial, no firings of U.S. political/military “leaders.” Many are preoccupied with incessant domestic crusades against political enemies and political correctness, as they incorrectly stereotype millions of patriotic American citizens and soldiers as “white supremacists,” “Islamophobes,” “xenophobes,” “homophobes,” “transphobes,” “climate deniers,” “insurrectionists,” or all of the above.

The U.S. has now failed to win every war it’s engaged in since WWII—all five of them. In 2006 we explained why America couldn’t win wars anymore. The nation is riven with anti-Americanism, especially among its “elites.” A nation made to feel guilty (undeservedly) about its history and...
principles, a nation that hates itself, can’t defend itself (or others). An exceptional, moral nation like America, stripped of her pride and confidence, tries to atone, to absolve her alleged “sins” by apologizing, sacrificing her interests, and groveling before (and surrendering to) the villest of her foes.

The anti-Americanism which makes American wars unwinnable originated in the universities; by now it has spread like a cancer to every major institution in the once-proud nation—from teachers’ colleges to public schools, from journalism, the arts, and entertainment to sports, corporate suites, and the military. Liberty, security, and prosperity in America have been severely eroded in recent years due to all types of anti-capitalist policies—including monetary policies, fiscal policies, regulatory policies, public health policies, corporate policies, and trade policies. By now it should be obvious that Washington also prefers a fundamentally anti-capitalist set of foreign policies.

Many American conservatives complain that the U.S. is leaving Afghanistan at all; they want a permanent occupation, as in West Germany (since 1945), South Korea (since 1953), and 67 other countries and territories where the U.S. maintains 800 military bases. This policy is immoral, impractical, and unconstitutional; the U.S. military exists to defend America, not other nations. Temporary alliances with allies are fine (WWII), but permanent operations are not. Nor is “nation building.”

3 See the Korean War (1950-53), Viet Nam War (1963-1975), Gulf War (1991), and wars in Iraq (March 2003 – December 2011) and Afghanistan (October 2001 – August 2021). In Korea and the Gulf War, aggressors were merely pushed back to their original position without being vanquished. In the other three cases, the initial enemy ended up stronger, more hostile, and more lethal after prolonged U.S. engagement. Iraq, for example, had fought Iran in 1980-1988; but after U.S. attacks on Iraq began in 2003, the U.S. effectively transformed that previously- secular nation into another Iran, a theocratic, terror-sponsoring state (as I predicted, just one month into the war: Richard M. Salsman, “Turning Iraq into Another Iran,” Capitalism Magazine, April 23, 2003). By 2014 the Islamic State had taken over; in time, the conversion was conceded (see Tim Arango, “Iraq Dominates in Iraq After U.S. ‘Handed the Country Over’,” New York Times, July 15, 2015).


Nor is “making the world safe for democracy.” Nor is it true that America is best protected by U.S. military presence abroad, to “preempt” trouble. This is nothing but a costly defense of ungrateful non-Americans.

What has been the cost to America of the alleged “war on terror” over the past two decades? The cost to her reputation is the biggest and worst cost, because it foretells more trouble and failure in America’s future. By their idiocy and immorality, U.S. “leaders” are asking for trouble—and they (and many innocent bystanders) will surely get it. Only when America is weak—morally, economically, politically, psychologically—are tyrants and terrorists tempted. Other costs include deaths, injuries, and fiscal ruination. According to the Costs of War project (Brown University), post-9/11 wars have killed 7,014 U.S. military personnel and 7,950 private contractors; war injuries to Americans now exceed 45,000. The financial cost to America is estimated at $6.4 trillion, almost a quarter of today’s U.S. federal debt of $28.7 trillion.

There also have been 30,177 suicides among U.S. military personnel since 9/11. Not only is that number unprecedented relative to previous U.S. wars, it is ten times the number of souls murdered at the World Trade Center on 9/11. Suicide is triggered by humiliation, shame and depression—not by pride or self-confidence in work well done, a mission accomplished, a life well-lived. Anti-American foreign-military policy itself was self-inflicted and largely responsible for these deaths. Suicide also crushes the lives of survivors—families, friends. 30,000 suicides ultimately affect the lives of at least 300,000 others. Washington’s weak, immoral policy response to the Muslim murderers of 9/11 has been to encourage young, patriotic U.S. soldiers to engage in mass self-murder.

A proper U.S. foreign policy puts America first, ensures a strong, well-equipped national defense (not a national offense), debates war before declaring it, quickly vanquishes its enemies (those that attack America or credibly threaten to do so). A proper foreign policy means the U.S. plays no part in a corrupt U.N., refuses to sacrifice its troops or diplomats for the sake of other nations, and does not do “nation building.” Foreign policy must advance the nation’s self-interest; in America’s case, that means government preserves and protects the liberty, security, property, and prosperity of its citizens. That’s what’s required of a truly capitalistic, constitutionally limited federal republic. For at least two decades America has been losing these key elements, so it should surprise no one to see her losing her reputation and her wars.

The Biden Regime is only the latest contributor to failed U.S. foreign policy this century. Bush (2001-2009), Obama (2009-2017), and Trump (2017-2021) also have contributed to the failure, although the latter wasn’t nearly as bad as the others. He tried to put America first; but he also tried to “deal” with the Taliban. Either these presidents are idiots, mere range-of-the moment “thinkers,” or they know what they’re doing but don’t care much that their policies humiliate America and infuriate patriotic Americans. Regardless, they are mere opportunistic politicians, not principled statesmen guided by a rational, moral vision of America’s place in the world.

The following account illustrates in gruesome detail how seemingly different presidents (Obama, Trump) could make similar, fatal mistakes in foreign policy – by consorting with the enemy instead of annihilating it:

Mullah Abdul Ghani Baradar Akhund returned to Afghanistan after nearly two decades on Tuesday, a reversal of fortune that saw him go from Taliban co-founder to prisoner in Pakistan to negotiator in Qatar to a now-central figure in Kabul. Baradar, currently the head of the Taliban’s political office in Doha, was freed from Pakistan in 2018 and is the most prominent of thousands of Taliban prisoners freed at the request of the U.S. in its efforts to promote failed peace talks between the Taliban and the Afghan government. The February 2020 peace deal signed by the Trump Administration and the Taliban pushed the Afghan government to release up to 5,000 prisoners, some of whom played key roles in the Taliban’s swift takeover of the country. Members of the “Taliban Five”—a group of high-value leaders held at Guantanamo Bay until they were swapped by President Barack Obama in exchange for the return of deserter Sgt. Bowe Bergdahl in 2014—also appeared across the negotiating table from the U.S. in Qatar after their release. (emphasis added)

That last line, perhaps better than anything else, captures the erosion of American pride and utter corruption of foreign policymaking in Washington in recent decades.

11 See Costs of War, Brown University (data through November 2019).
13 “From Prison to Power: Taliban Leaders Go from Jail, to Negotiating Table, to Kabul,” Washington Examiner, August 18, 2021. See also: “Taliban Leader was Freed from Guantanamo Bay in 2014 Swap by Obama,” New York Post, August 16, 2021.
As president, in 2014, Obama, assisted by his accomplice, Biden, brazenly freed Taliban thugs who later recaptured Afghanistan (and U.S. armaments). They did so in exchange for the release of an American soldier who had deserted. Almost as much as Obama-Biden sympathize with Muslim terrorists, they sympathize with such “soldiers”—cowards who betray America. They sympathize with that profile and reward it because they share it.
Appeasement Persists – and Destroys Wealth

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SEPTEMBER 17, 2002

Appeasement: To pacify or attempt to pacify (an enemy) by granting concessions, often at the expense of principle.

Appeasement: The policy of granting concessions to potential enemies to maintain peace.¹

A year ago – in the wake of terrorist attacks on America – we showed how they were the result of decades of U.S. appeasement of Arabic-Islamic barbarism.² We warned of bearish market consequences as a result of U.S. officials showing signs – even after September 11th – of continued appeasement.³ That is precisely what we’ve seen over the past year. The U.S. government – already having failed miserably a year ago in its basic role as the military defender of the country – has failed further by refusing to wage full war against terror-sponsoring nations.

Worse than September 11. There is something far more horrific even than the destruction of September 11th; it is the utter failure of U.S. officials to do anything material about it in the year since and instead to further promote terrorism by a policy of appeasing the evil-doers who practice it. President Bush once said of nations,” you’re either with us or against us” in the so-called “war on terrorism.” Equally it can be said, with regard to national defense, that Washington is either for the American people or it’s against them. So far, Washington has proved that it is against them.

The recent, farcical “debate” about a potential U.S. war with Iraq – a debate that has gone on since May – confirms the persistence of appeasement by Washington. The U.S. Congress has yet to offer a Declaration of War; it is still “debating” the matter – having been delayed, one might surmise, by its recent domestic war against American business.⁴ Iraq is one of three nations in what President Bush has called (in his January 2002 State-of-the-Union address) an “Axis-of-Evil.” Bush was right. Yet the Iraqi regime has been allowed to exist in the nine months since that speech.⁵ The fact that a U.S. war against Iraq is being “debated” today – in the wake of September 11th – is pathetic. It shows that U.S. officials simply are not willing to eradicate or even curb known threats to American security; that is, they are unwilling to prevent further September 11th-type attacks (or worse).


⁵ The U.S. also has failed to end the regimes of the other two members of the Axis: Iran and North Korea.
And they did not prevent the destruction of the World Trade Center – and part of the Pentagon – a year ago.

More of the same. Given this utter and obvious failure of “diplomacy,” U.N. resolutions and “weapons inspections,” what have U.S. officials done? Last week Mr. Bush went to the U.N. and recommended still further U.N. resolutions – asking the U.N. to “require” Iraq’s compliance with previous U.N. resolutions. Yesterday Iraq said it would “discuss” with U.N. officials a resumption of potential “inspections.” Contrary to reports, Iraq did not agree to inspectors – or their free reign – “unconditionally.” As we’ll see below, it merely agreed to discuss it. Even if inspections resume, they could go on until next summer. According to The New York Times, citing provisions in a previous (subsequently-violated) U.N. resolution on this issue:

The inspectors, once on the ground, would have to report back to the [U.N.] Security Council within sixty days to lay out a work plan, identifying lines of investigation they want to pursue. The resolution then gives them six months to reach preliminary conclusions about whether Iraq is developing prohibited weapons.6 (emphasis added)

Suppose Iraq even “allows” new inspections. Then suppose it takes a month for inspectors to be “on the ground” in Iraq. The inspectors then have two months to “lay out a work plan.” Then they have six more months “to reach preliminary conclusions.” Suppose it takes them another month to reach “final” conclusions. At best that’s ten months from now – or July 2003. In short, by next summer – nearly two years after the September 11th attacks on the U.S. – the U.N. might be in a position to do “something” against Iraq that is, by next summer perhaps the U.N. will be in a position to pass still more of its meaningless resolutions. And terrorism will persist.

Surrender. Do commentators wonder why the U.S. stock market has performed so atrociously in the past year? Consider this grim fact: the U.S. government has surrendered its sovereignty to the U.N. – a body which is subsidized by U.S. taxpayers, operates on U.S. soil and harbors terrorist nations that harbor terrorist gangs. A year ago the U.S. State Department listed and documented seven nations that were known to sponsor terrorism: Iran, Iraq, Syria, Lebanon, North Korea, Sudan and Cuba.7 All seven nations are U.N. members. Syria is a member of the U.N. Security Council, with veto power over U.S.-sponsored resolutions. This is where the U.S. goes begging for a “justification” to defend itself. Last year Sudan, which sponsors terrorism and conducts a slave trade, replaced the U.S. on the U.N.’s Human Rights Commission. China – another Security Council member which sponsors terrorism (a fact ignored by the State Department) – routinely persecutes political dissidents, kills them and carries out their vital organs, selling the organs for hard currency on the open market.8

Barbarians inside the gates. These are the barbarians that make up the U.N. This is the corrupt body which President Bush recently praised for its moral “ideals” – the one U.S. leaders bow before. In this way (and many more), U.S. officials are directly promoting terrorism. Instead of lowering or eliminating the likelihood of further terrorist attacks on Americans, U.S. officials are raising it. They are defaulting on their primary function of defending the country militarily.

When investors fear for their lives – let alone fear underperformance in their portfolios – is it any wonder the market performs badly? When companies fear they’ll be destroyed – while landlords fear the destruction of their buildings – how can that not be bearish? Prosperity requires security of life, limb and property; but U.S. foreign-military policy is undermining that security. It is raising the risk of destruction.

America was founded by means of a declaration of independence from a tyrannical British monarchy;

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but modern America has made itself dependent on the whims of a corrupt body that sponsors tyranny.

**Look who defends sovereignty.** Amazingly, it is not the U.S. – the victim of terrorist nations that are permitted a vote in the U.N. – but Iraq, a terrorism perpetrator and sponsor of terrorist gangs – that demands, loudly and forthrightly, that other nations respect its sovereignty and political independence. In fact, Iraq did so in its recent letter to the U.N.:

> I am pleased to inform you of the decision of the Government of Iraq to allow the return of U.N. weapons inspectors to Iraq without conditions. . . . [This will be] an indispensable first step towards an assurance that Iraq no longer possesses weapons of mass destruction and, equally importantly, towards a comprehensive solution that includes the lifting of the sanctions imposed on Iraq . . . . To this end, the Government is ready to discuss the practical arrangements . . . . Iraq reiterates that importance of the commitment of all member states of the [U.N.] Security Council and the U.N. to respect the sovereignty, territorial integrity and political independence of Iraq, as stipulated in the relevant Security Council resolution and Article II of the Charter of the U.N.9 (emphasis added)

When Iraq impeded and threw out U.N. inspectors four years ago it did so by arguing for its “rights.” It complained that its sovereignty and territory were violated. That’s true – in the same way the sovereignty and territory of Nazi Germany were violated; that was a proper retaliation by the U.S. and its allies. A similar violation of Iraq is fully warranted; but it has not happened yet. The “violation” of Iraqi sovereignty proposed today is mild compared to what was done to Nazi Germany. Still, it is opposed.

Iraq has used U.N. resolutions and the U.N. Charter itself to defend its “sovereignty.” Thus the U.N. is an impediment to its own inspections. There’s every reason to believe inspections will fail again – but it would take upwards of ten more months for them to fail. Iraq has not agreed to “allow” a return of inspectors; it is only “ready to discuss” a return.” And Iraq has not agreed to “allow” inspections “unconditionally” – it has set as a condition what it calls the “equally important” step of lifting sanctions against it. The media pacifists – eager to avoid war – have misstated Iraq’s message. There is no “unconditional agreement” to allow inspections. Iraq conditionally agreed to begin discussing the possibility; even if inspections occur, the process could take until July 2003 to conclude. That still does not entail a necessary U.S. military obliteration of the Baghdahd regime.

**The U.S. as a beggar.** On September 11th U.S. territorial sovereignty was violated by terrorists and the Iraq-type nations that sponsor them. Thousands of Americans were murdered. Two tall skyscrapers were destroyed. Yet U.S. officials – worst of all, the U.S. president – a year after September 11th – continue to willingly and avidly surrender U.S. political sovereignty, to beg begging to the terror-sponsoring U.N. for “permission” to retaliate against only one of the U.N.’s many terror-sponsoring members. Meanwhile, terror-sponsoring member Iraq demands that nations “respect” its “sovereignty, territorial integrity and political independence.”

If the U.N. had existed prior to World War II – and had U.S. officials played a similar role of appeasing beggars before that corrupt body – Hitler’s Nazis easily would have remained in power. The primary blame for this travesty lies not with the U.N. or Iraq; evil regimes always seek to perpetuate themselves. But moral regimes do not let it happen. The U.S. government is basically moral – but it acts immorally when it allows terror regimes to exist. The fault lies entirely with the craven appeasers running the U.S. government – and with the pseudo-intellectuals and editorialists who encourage, applaud and excuse the appeasement. These people are aiding and abetting murder.

**Market impact.** We’ll say more about the appeasement of U.S. officials – and its likely effect on the national security of Americans and American business. But for now it may be helpful to clarify what’s happened in U.S. markets over the past year. There is increasing talk of a “war premium” which (allegedly) is weighing heavily on economic and financial performance. Market commentators seem to believe oil and gold prices have been rising – and stock prices falling or stagnating – because of some impending “war” with Iraq. There is also a wide-

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spread view that America actually has been fighting a war – and fighting it successfully.10

Obviously, it’s crucial for investors to know whether war (or no war) would be bullish or bearish – and whether or not the U.S. is actually engaged in war. In our view the evidence does not support the popular interpretation. Although it should be, the U.S. is not engaged in war; that’s one reason we’ve seen bearish results. If the U.S. did engage in a proper war in the future – there would be universally bullish market consequences.

A year ago we offered a conditional forecast, linking the (potential) war effort to market performance. By U.S. “action” in war we did not mean running to the U.N. for permission, or merely moving terrorists from one nation to another. We meant eradicating national regimes (and gangs) that sponsor and commit terrorism. We wrote:

The more swiftly and forcefully the U.S. acts, the better it will be for markets. The more slowly and timidly it moves and the less comprehensive its use of force, the worse it will be for markets.11

As shown in Table One, major U.S. stock indexes are substantially lower today than they were prior to the September 11th attacks. The NASDAQ is off by 22.1% while the S&P 500 and DJIA are off by 16.7% and 10.4%, respectively. Meanwhile tangibles have risen in value – as investors seek safe haven. The oil price has risen by 9.3% while the gold price is up by 17%. The dollar has declined, not only against gold, but also by 10.1% against the safe-haven Swiss franc. Investors certainly would not be interpreting the past-year’s investment climate as unsafe if the U.S. was actually conducting a war against terror-nations – and actually winning it. Investors have acted this way because U.S. officials have done nothing material to fight terror-sponsoring nations.

**Fundamentals defied.** Notice in Table One that the fundamentals have improved considerably in the U.S. over the past year. There’s been a re-acceleration in after-tax profit growth (+54.9% points) at S&P 500 firms. There’s also been a re-acceleration in the U.S. economic growth rate (+5.0% points). Finally, there’s been a substantial decline in the discount rate used to value future earnings: the 10-year T-Bond yield has declined by 85 basis points to a 40-year low of 3.99%.

All else equal – and consistent with financial history – such improved fundamentals would be anticipated by rising stock prices. The fact that this improvement has not been captured in U.S. stock prices over the past year – the fact that stock prices have declined – reflects an enormous rise in the equity risk premium. And that’s reflected in a contraction of P/E multiples.

**Terrorism risk remains high.** The primary cause

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10 See, for example, Victor Hanson, “Finish the War,” The Wall Street Journal, September 17, 2002, p. A20. Hanson writes: “We are currently fighting a multi-theater conflict . . . the first year of the present war has been a spectacular success – one rarely paralleled in military history.” He also writes of “our strong and successful reaction to September 11th.” A more accurate op-ed would have carried the title: “Start the War.”

of this anomaly – and this dramatic rise in the risk associated with equity investment – is the failed U.S. war effort. That failure means that the risk of terrorist acts remains – and remains high. A secondary, bearish factor, as we’ve mentioned, is the U.S. government’s domestic war on American companies, investment houses and CEOs. That’s why, despite the improved fundamentals, U.S. stock prices have declined and corporate credit spreads have widened. This is not the normal state of affairs in a year after recession. Nor is the U.S. stock market’s sorry performance signaling a likely “double dip” in the U.S. economy that might bring recession in 2003.

Further evidence that a failed war effort is the cause of the market’s swoon appears in Figure One. We know that the U.S. government was successful, militarily, in World War II and the Gulf War. In Figure One we plot the performance of the U.S. stock market during those wars and compare them to market performance during the past year’s (so-called) war. We index the DJIA and set it equal to 100 on the three crucial dates: December 1941 (the Japanese bombing of Pearl Harbor), August 1990 (Iraq’s invasion of Kuwait) and September 2001 (the terrorist attacks against America). We show what happened to stocks in the year prior to – and in the two years following – these key months.

Success in the past. A cursory glance at the plots in Figure One shows that swift, decisive and successful military action by the U.S. amid war has been bullish for stocks. So much for the mythical “war premium.” Even though the stock prices had been declining in the years leading up to December 1941 and August 1990, they rallied in the two subsequent years. There was an initial downswing, as markets waited for the U.S. government to act; but when it did act – and act forcefully – stocks rallied. In the year after December 1941 the DJIA was higher by 7.6%. In the following year it increased by another 13.8%. In the year after August 1990 the DJIA increased by 16.4%; a year after that it was higher by another 7%.

In contrast, even though the DJIA had been rising in the half-year leading up to September 11th – and even though it rebounded a bit last fall, perhaps in anticipation that the U.S. government would actually do something about terrorist nations – today it is 10.4% lower than it was the day before September 11th. If the DJIA had gained the equivalent of the average, year-ahead gains seen in World War II and the Gulf War (12%), the index today would be trading near 10,125 – not 8,205.

In a past report IFI showed in detail how the U.S.
The stock market has performed in five separate wars – and showed how U.S. military success (or failure) had much to do with the performance. The U.S. responded aggressively about a half-year after Pearl Harbor; in the Gulf War it began its military retaliation five months after the initial Iraqi invasion – and completed it about a month later. No such military success can be identified in the so-called “war effort” of 2001-2002. The market is not stupid; it knows this all too well.

A similar lesson can be drawn from Figure Two. Corporate yield spreads narrowed in the one-year and two-year periods after December 1941 and August 1990. A narrower spread reflects a more bullish market forecast of corporate profitability and credit quality. While the spread widened in the four months after Iraq's invasion (amid U.S. “coalition-building”), it declined dramatically thereafter – as U.S. military success became obvious. The spread narrowed consistently in the months after the Pearl Harbor attack. In contrast, the spread over the past year has risen dramatically and has remained high.

Typically, in the last half-year of a recession – and in the year after a recession has ended – the corporate bond yield spread narrows dramatically. It remains high in the U.S. today only because of on-going terrorism risk. This is not a “war risk,” as many claim – at least not in the sense that there is, actually, a war being fought by the U.S. There is a war – but it’s against the U.S. and the U.S. is not fighting. The U.S. is effectively surrendering (and appeasing) enemies. Wide yield spreads reflect the fact that the U.S. government has not fought the necessary war and does not as yet show signs of fighting it in the near future. This is bearish for credit quality.

The golden rule. The gold price also tells a sad story about the U.S. non-war effort in the past year. Figure Three (page 7) compares the performance of the gold price in the years surrounding the Gulf War and in the years surrounding September 11th. We omit World War II in this comparison because the gold price was fixed under the gold-exchange standard. If the U.S. truly was waging war and waging it successfully – as it did, for the most part, in early 1991 – the gold price would be declining. Indeed, after an initial rise in the aftermath of Iraq’s invasion in August 1990 – much like the initial rise in credit spreads (Figure Two) and the initial decline in the DJIA (Figure One) – the gold price declined. Confidence in the dollar was restored. Both nine months and two years after the Iraqi invasion, the gold price was lower.

Today the dollar-gold price (at $320/ounce) is roughly 17% above its average in August 2001. That depicts a lack of confidence in the U.S. dollar and its monopoly issuer – the U.S. government. Such confidence would not be low or diminishing if the U.S. had been exercising leadership and resolve – and success – in war. Again, the gold price today is not high because of war – except in the sense that the U.S. has exposed itself to war without fighting. The gold price would move lower – as it did after the Gulf War – if the U.S. did fight.

Finally, a look at the oil price also shows that the U.S. war effort has failed miserably. It's usual for analysts to blame a higher oil price on “Mid-East tensions” and the prospects of a cut-off or embargo of Mid-East oil exports. That may be so. But the best way to reduce such tensions is to quell (or, better yet – exterminate) troublemakers, warlords and dictators in the Mid-East.

Oil plummets amid war. Figure Four (page 8) shows that the oil price plummeted after the U.S. exhibited some success in the Gulf War. The oil price increased initially, of course – as the market wondered (as it’s been wondering for the past six months) whether U.S. officials would do anything after its months of “coalition-building.” But when the U.S. did do something in early 1991 – and succeeded in doing it quickly and effectively – the oil price plunged, even though Iraq sabotaged oil fields in the waning days of the war and even though, in the following decade, its oil output would decline, gradually, to 15% of its 1990 level. The oil price stayed low for the two years following the Gulf War.

Figure Three
The Gold Price ($ per ounce)
Surrounding Three Wars*

*Indexed to 100 in Aug. 1990 and Sep. 2001

Again, today’s oil price is not high because the U.S. “might” go to war in the Middle East or because Iraq (or some other Arab exporter) “might” impose an oil embargo; it’s high because the U.S. has not gone to war in the Middle East and has not effectively vanquished the savages who turn the oil spigots there. To assume the world oil price would rise because the U.S. goes to war against Iraq is to assume that the U.S. would fail miserably in the war effort. Critical as IFI is of U.S. foreign-military policy, we do not believe that’s the problem. It’s not that there’s some insufficient U.S. military capacity to defeat the Iraqi regime and permit a rational, pro-oil-exporting leadership there; there is insufficient U.S. willingness to carry out the necessary mission.

What, precisely has been accomplished by the U.S. in the so-called “war on terrorism” in the past year? Let’s review what’s been done – and not done – to see why the U.S. market might be performing so badly.

More appeasement. Iraq aside, it should be obvious that the U.S. government has done nothing to vanquish any of the other state-sponsors of terrorism – the one’s still on the State Department’s list, especially Iran, Syria, Lebanon and North Korea. Worse, the U.S. government only added to this list in the past year – by recommending and sponsoring a terrorist Palestinian state, to be headed by Yasser Arafat or by one of his cohorts in crime. The U.S. also has allied with Pakistan – which had sponsored the Taliban in Afghanistan; a recent “consolidation of power” (a dictatorial takeover) by General Musharraf was the result. What’s been done against Cuba – another member or the State Department’s terror-sponsor list? Cuba has received a loving visit from ex-U.S. President Jimmy Carter – and efforts by U.S. Congressmen to lift the economic embargo on that dictatorship – an embargo that has been in place since the days of JFK. Setting aside the terrorist nations, the U.S. also has

15 This proposal was first made by Secretary of State Colin Powell in a Louisville, Kentucky speech on November 21, 2001 – less than two months after September 11th. Powell did this, even though Arafat and the Palestinians were continuing their Holy War (“fatwah”) against Israel – a war that began in October 2000 and has since led to the murder and injury of thousands of Israelis. The U.S. still supports a Palestinian state – but says Arafat must be “elected” if he is to be its new president.
failed to eradicate – or even curb – the known terrorist gangs such as Al Qaeda, Hamas, Islamic Jihad, Hezbollah and Yasser Arafat’s Al Aksa Martyrs Brigades. There has been no material decline in the numbers – or the virulence – of these gangs. If they appear fewer in number in some nations, it’s only because the U.S. has allowed them to escape to others. That’s been documented; the gangs were merely dispersed from certain areas of Afghanistan (to Pakistan, Lebanon, Yemen and Syria) – and many have been emboldened enough even to return to Afghanistan.\textsuperscript{16}

Ten days ago they murdered or injured more than two dozen in two Afghan cities – in a failed attempt to assassinate the U.S.-U.N. installed leader.\textsuperscript{17}

U.S. officials – especially Colin Powell and his career-appeasers at the State Department – have periodically condemned an ally, Israel, in the few cases where that country’s leaders have successfully fought terror gangs. On a per capita basis, compared to the U.S., Israel has lost many more lives and has had far more property destroyed by terrorists than the U.S. did on September 11\textsuperscript{th}. And this has happened after September 11\textsuperscript{th}. Yet the U.S. has not helped this important ally; on the contrary, it has made every effort to prevent or curtail Israel from eradicating terrorism in the Middle East.

**Disarming.** In the midst of this so-called war, Mr. Bush signed an agreement with Russia to mutually reduce armaments. He cited the end of the Cold War – while ignoring the needs of the current one. Instead of redirecting these weapons and using them against terror regimes, he chose, irresponsibly, to partially disarm the United States, amid what even he has called “the first war of the 21st Century.” It is that – but Mr. Bush is taking no material steps to wage it; in fact, he’s taking steps to ensure that the U.S. loses it, badly.

A year ago President Bush said “I will not yield, I will not rest, I will not relent in waging this struggle for freedom and security for the American people.” He also promised that “any nation that continues to harbor or support terrorism will be regarded by the United States as a hostile regime.” That’s strong talk – but there’s been no real action. Bush has yielded, rested and relented. He has not waged war – or even a “struggle.” He has delayed. He has pulled his punches. He has appeased. And so he has failed – miserably.

**The peace-nik.** On the year-anniversary of September 11\textsuperscript{th} Mr. Bush wrote an op-ed in *The New York Times*. Amid war, nevertheless, he made more than a half dozen references to peace:

> A peaceful world of growing freedom serves America’s long-term interests . . . The defense of peace is a difficult struggle of uncertain duration . . . We have the best opportunity in generations to build a world where

Figure Four

**The Oil Price ($ per barrel)**

Surrounding Three Wars*

![Graph: The Oil Price ($ per barrel) Surrounding Three Wars*](image)

*Indexed to 100 in Aug. 1990 and Sep. 2001


great powers cooperate in peace... Common interests and values among the great powers are also a basis for promoting peace... We are gathering broad international coalitions to increase the pressure for peace... America needs partners to preserve the peace and we will work with every nation that shares this noble goal... As we preserve the peace, America also has an opportunity to extend the benefits of freedom and progress to nations that lack them. We seek a just peace...\(^{(18)}\) (emphasis added)

Instead of a military defense of America, Mr. Bush envisions a “defense of peace.” He sees in today’s world that “great powers cooperate in peace.” Where would that be? Other than Britain, every U.S. “ally” has abandoned the U.S. and has criticized it in some form or another – for daring to defend itself, for daring to move against Iraq, for daring to do anything without the permission of the dictator-members of the U.N.\(^{(19)}\)

A U.S. that acts unilaterally (that is, within its sovereign rights) is derided – by so-called U.S. “allies” in Europe and elsewhere – as an “arrogant cowboy.” Mr. Bush believes there are “common interests and values among the great powers.” Then why is “international coalition-building” required? Why aren’t America’s allies running to the aid of the U.S. – joining in a military battle against terrorist nations – and why didn’t they do so starting a year ago?

Mr. Bush speaks of “preserving the peace” – as if some war has been fought and won – as if some enemy has been vanquished – as if some armistice has been signed. He talks of “peace” – amid war. He extols “peace,” even though there’s certainly no peace of mind among Americans who know that threats against them persist. Finally, Mr. Bush promises to “extend the benefits of freedom and progress to nations that lack them; that is, he will continue to make sure the IMF and the World Bank, funded primarily by hard-working American taxpayers, will continue to subsidize tyrannies and terror-sponsoring regimes. Bush has noted many times before that after September 11\(^{th}\) the U.S. increased its foreign aid to Afghanistan – from $170 million in 2001 to $300 million in 2002. A country needs only to attack the U.S. – and it will receive still more handouts. And the U.S. State Department is funding a marketing campaign to try and get “young Arabs” to admire America.\(^{(20)}\)

No such program was in place during World War II to “convert” Hitler youth to pro-American views. This is appeasement in its lowest and most sordid form. treating the enemy not as enemy but as a potential customer.

**Domestic war.** Meanwhile, at home, the U.S. government has adopted the “Maginot Line” mentality\(^{(21)}\) – a bunker mentality that violates civil liberties\(^{(22)}\), imposes billions in costs and makes the country no safer. By erecting a massive, new and inept bureaucracy (the “Office of Homeland Security”) and nationalizing airport security, U.S. officials are simultaneously failing to improve domestic security and providing a false sense of security. There have been no efforts to rebuild the World Trade Center; all proposals, to date, only offer some form of memorial – with no towers any higher than half the height of the destroyed ones.\(^{(23)}\) Insurance rates, having already risen substantially in the wake of September 11\(^{th}\), have begun to rise further – yet another market-based sign that life and property are not secure in the U.S.\(^{(24)}\) Finally, as mentioned earlier, officials at the

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21 See “Maginot Mentality,” in Mr. Market is Not Pleased — and a Conservative Investment Stance is Vindicated, Investor Alert, InterMarket Forecasting, Inc., June 7, 2002, pp. 7-8. The Maginot Line was a futile attempt by France (1929-1940) to defend its borders with an elaborate fence, while at the same time joining Britain in repeated appeasements of Hitler.
22 See “The War on Civil Liberties,” The New York Times, September 10, 2002, p. a1 – especially the “TIPS” informant program. According to one report, “Almost everywhere, governments have taken September 11th as an opportunity to restrict their citizen’s freedom.” (The Economist, “For Whom the Bell Tolls,” August 31, 2002, pp. 18-20). There is no moral justification (or practical benefit) for violating any domestic liberties during war - and that includes no military draft, as some are now advocating.
23 In addition, attempts to build other towers, elsewhere in the U.S., will face more obstacles due to U.S. regulations. See “9/11 Prompts a New Caution in Design of U.S. Skyscrapers,” The New York Times, September 9, 2002, p. A1. Instead of fighting terrorist nations and defending the country, the U.S. government is exposing the country to attack and then imposing rules, regulations and restrictions on builders, so they’ll build in a way that can withstand terrorist attacks. Building may grind to a halt due to such rules (not to mention exorbitant insurance rates) – which flow from the U.S. government’s irresponsible foreign-military policy.
FCC, the FDA, the antitrust division and the SEC have been waging a war against U.S. business.

Decline of the West. The basic problem in the West today is that its leaders either reject – or apologize for – it’s basic virtues: reason, science, technology, self-reliance, greed, individualism and money-making. They believe selfless service and sacrifice for others – for strangers and for suffering victims – is "noble." That’s why so many people focused on the dying firemen and policeman of September 11th – while ignoring the business leaders working (and dying) in the World Trade Center. And that’s why Mr. Bush has spent so much time in recent months, not prosecuting the war, but promoting “USA Freedom Corps” – a government program initiated after September 11th to promote a very un-American idea: national service.

You know, none of us would ever wish the evil that was done on September the 11th; yet out of the tragedy can come great good. . . . The last ten months have offered us a glimpse of what a new culture of service can be. . . . There are good reasons for every American to serve our nation. . . . Government can hand out money, but it can’t put hope in people’s hearts, or a sense of purpose in people’s lives. . . . [We need to] foster a culture of service, citizenship, and of responsibility for decades to come . . . to make service a more central part of American life and a cultural change that will make America a much better place . . . Acts of compassion add direction and purpose to our lives. Serving something greater than yourself is part of a fulfilling life. We serve because it’s important to our country. Our nation is the greatest force for good in history, and we show our gratitude by doing our duty. . . . Six months ago in my State of the Union address, I issued a call to service. I asked every American to commit at least two years, 4,000 hours over the rest of your life, to service for neighbors and our nation. To encourage service, we established what we call the USA Freedom Corps . . . We’re promoting service to prepare for crises at home, to strengthen our communities, to help people in need, and to extend American compassion throughout the world. . . . Congress is also meeting its responsibilities – providing $25 million this year to support Citizen Corps so that Americans can be trained in emergency response, and can support first responders. . . . I hope Congress will soon pass, so I can sign into law, the bipartisan citizen service act, which incorporates many of the principles to strengthen and reform national service programs. . . .

In Bush’s commencement address to Ohio State University back in June he said:

In the last nine months, we’ve seen the true character of our country. . . . We watched the searchers, month after month, fulfill their grim duty. . . . In these events, we relearned something large and important: the achievements that last and count in life come through sacrifice and compassion and service. . . . You will determine whether we become a culture of selfishness and look inward – or whether we will embrace a culture of service and look outward. . . . Everyone needs some cause larger than his or her own profit. Apathy has no adventures. Cynicism leaves no monuments. And a person who is not responsible for others is a person who is truly alone. . . . Service is not a chain or a chore – it gives direction to your gifts, and purpose to your freedom. . . . Patriotism is expressed by flying the flag, but it is more. . . . Patriotism is proven in our concern for others – a willingness to sacrifice for people we may never have met or seen.26

Suicide in place of patriotism. When "patriotism" is measured by one’s willingness to sacrifice one’s interests – to serve the government – to stand ready to do one’s “grim duty” at the site of the next terrorist attack, having been “trained in emergency response, to support first responders” – to get a “purpose in life” by living though (and for) others, while having no real purpose of one’s own – and when the murder, mayhem and destruction seen at the World Trade Center and Pentagon on September 11th are taken as inspiration” by “selfless responders” and the President who seeks to lead them – we can only conclude that modern America is headed down a vicious and sick path. This is the opposite of what America’s founders stood for – and what made America great. They taught that men have the right to – and should pursue – “life, liberty and the pursuit of happiness” – not death, sacrifice and a mawkish obsession with pain and suffering.

Perhaps the most revealing remarks – portraying the moral bankruptcy of today’s world – were made recently by Canada’s Prime Minister, Jean Chretien. He’d met with President Bush two days before – and in all likelihood the President would have fully endorsed his remarks. According to Chretien, America and the Western world suffered from September 11th because of too much success, prosperity and greed:

26 See http://www.usafreedomcorps.org/about_usafc/whats_new/speeches/20020614-1.asp.
I think the Western world is getting rich in relation to the poor world and necessarily, you know, we’re looked upon as being arrogant, self-satisfied, greedy and with no limits. . . . You cannot exercise your powers to the point of humiliation for others. That is what the Western world – not only the Americans, the Western world – has to realize. Because the have-nots are human beings too. . . . September 11th is an occasion for me to realize it even more.27

Craven apologists. When the “leaders” of the West apologize for its great achievements – when they believe that people who create wealth “humiliate” those who don’t – when they hint that the “humiliated” may be justified in murdering the successful and destroying their wealth – and when they describe the savages who destroy as “human beings too” – then the Western world has no leaders any longer, other than those who are willing to lead the civilized, Western world down the path of savagery and barbarism – into a world thoroughly populated by “have-nots.”

Here’s the longest-term forecast IFI will ever make: If the U.S. (and Western-government) policy of appeasing terrorist nations persists, further barbaric attacks will occur on American (and Israeli) soil and in time the American Empire will decline and fall. Of course, this won’t happen overnight – just as the decline and fall of the Roman Empire didn’t happen overnight. It may take decades – and some investments will still yield returns in the interim. But the same essential factors that undermined Rome are undermining the U.S. It is not so much a problem from without, but from within.

Welcoming the barbarians. Today’s U.S. “leaders” – both intellectual and political28 – are exposing a great nation to barbarians. Some of them, in private, may well be cheering this. The Roman Empire fell to Germanic barbarians – and marked the beginning of a horrible millennium known as the Dark Ages.29 Similarly, the U.S. runs the risk of declining and falling to Arabic barbarians – not because it lacks a sufficient military capability (it’s the world’s sole “super-power,” as was Rome) but because it lacks moral certitude. Our leaders are apologetic about America and its founding ideals; they denounce “greed,” materialism, money-making and business as “unpatriotic.” They extol self-sacrifice, service to the state or the community, religious “morals,” mawkish suffering, tear-drenched memorials and the asceticism of environmentalism.

After years of intellectual brainwashing, in the multicultural and environmentalist myth that American values are no better than “Third World” values, America’s “leaders” are acting accordingly – that is, cowardly. And just as Roman officials persecuted that nation’s best citizens – instead of extinguishing the German barbarians – U.S. officials are persecuting its best citizens (CEOs)30 instead of extinguishing the Arab barbarians.31

How long American leadership will remain on this suicidal path – and whether, at some point there will be no effective turning back from the decline that path leads to – is difficult, at this point, to judge. Looked at positively, we can say that the sooner America’s leaders turn to an un-apologetic, pro-capitalist path – in both foreign and domestic policy – the better it will be for markets and investors.

28 With rare exceptions, university professors and editorialists in America have joined U.S. political leaders in counseling pacifism and appeasement – as well as the surrender of U.S. sovereignty to pro-terrorist bodies such as the U.N.
29 After the fall of Rome in the 5th century, Christianity swept the world. Persecutions, poverty and plagues spread, while average human life spans fell by half (to about 25 years). Not until there was a rebirth of reason – in the Renaissance (the 15th Century) and the Enlightenment (the 16th and 17th Centuries) – did science, invention, industry and prosperity return.
31 A less-bearish scenario would involve the American Empire declining in the way the British Empire did: slowly, but unmistakably – over the course of a century. But it’s difficult not to imagine the American decline having a worse outcome, globally; for amid the British decline, at least America was on the rise. That rise saved Britain, Europe and America from Nazi barbarism and, later, from Soviet barbarism. If the American Empire declines and falls, there will be no similar, better Empire to save the world from barbarism. Indeed, that was the case when Rome fell. But this time it will be Islam, not Christianity; that sweeps the world.
Investors should be careful not to be fooled by the conventional commentary about war and the markets. Every week that U.S. stock prices and the U.S. dollar decline, while oil and gold prices rise, commentators attribute the pattern to “war.” Every time stocks and the dollar rise, while oil and gold prices decline, the moves are attributed to a lessened chance of war. If that were true an investor in U.S. stocks should be bearish (and an investor in commodities should be bullish) if there is war. Equally, if there is no war, one should be bullish on stocks and bearish on commodities. But it isn’t true. Indeed, the facts support exactly the opposite conclusion.

Seventeen months after September 11th, the U.S. government still refuses to vanquish terrorist-sponsoring regimes and groups. Every single one of the seven terror-sponsoring regimes listed on the U.S. State Department’s web-site before September 11th still exists. Every single one of the twenty-nine foreign terrorist organizations (“FTOs”) listed on that web-site still exists. If anything, over the past seventeen months these regimes and gangs have become more brutal and more brazenly anti-U.S. – as the recent case of nuke-wielding North Korea amply demonstrates.

The pattern is this: the more brazen the terrorist threats become, the more appeasing U.S. officials become. Under the U.S. Constitution, these officials pledged to provide for America’s national defense; but they simply refuse to do it – which borders on treason. Worse still, these officials continue to surrender U.S. sovereignty, to repeatedly beg for more toothless paper “resolutions” from the United Nations – a corrupt agency, based on U.S. soil, funded by the U.S., which itself harbors terrorist regimes as “voting” members who oppose U.S. self-defense.

Pusillanimous apostles of appeasement. Let it be said, if it isn’t obvious, that there has been no war. Why might this not be obvious? Because Washington keeps referring to “a war on terrorism” and the media deploy the term “war” repeatedly, probably for sensationalist effect. There is no war – except a one-way war against America, a war fully-sanctioned by America’s so-called political “leaders.” In fact, these officials know the war is one way because they keep raising their “terror alerts” while refusing to kill terrorists. Last October CIA director George Tenet told the U.S. Congress that “the terrorist threat against the U.S. is every bit as high today as it was before September 11th.” It remains as high today. In his latest State-of-the-Union address, President Bush proposed “a major research and production effort to guard our people against bio-terrorism, called Project Bioshield” – “research” that would be unnecessary if bio-terrorists had been vanquished.

Those pusillanimous apostles of appeasement that so heavily populate Washington and the nation’s media are so pacifist, so eager to whitewash terror regimes, so ready to provide coverage of “anti-war” protests, so supportive of U.S. plans for “post-war humanitarian aid packages,” that one might think there is, indeed, a war going on – or that it had been won by the U.S. There has been no war – and the markets illustrate that fact.
As we’ve shown before – in an extensive review of 
U.S. market performance surrounding past wars –  
U.S. stock prices have declined (and commodity 
prices have risen) after the U.S. or an ally has been 
attacked and/or during periods when the U.S. has yet to act 
militarily, in response. In contrast, a bullish result in 
U.S. equities has been observed (and oil and gold 
prices have declined only when the U.S. has acted 
militarily (and effectively). 1 Today the S&P 500 index is 
23.6% below where it closed the day before September 
11th. Since mid-January 2002 the euro value of 
the dollar has declined by 20% while the dollar’s 
value in yen has declined by 11%; over the same 
period the dollar-gold price has risen by 26% while 
the oil price has risen by nearly 50%.

There is only one explanation for these results: the 
U.S. government has failed to respond, militarily 
and effectively, to the war act against it. 2 Traditional 
fundamentals – such as profits and interest rates – 
have been (and still are) bullish for U.S. stocks; but 
atrocious U.S. foreign policy is making it impossible 
for U.S. stocks to rise sustainably. 3 Washington’s 
inaction is all the more bearish because September 
11th represented the most brutal act of war 
lunched on America in its entire history – and because 
the U.S. has the capacity to act militarily. The 
U.S. is the world’s sole “super-power,” but only in 
capacity, not will. Washington’s unwillingness to defend 
America means that it must be ranked as one of the 
weakest, most-vulnerable nations on the planet.

All hat and no horse. People from Texas will be 
familiar with the metaphor. It depicts someone who 
is all appearance and no substance – someone who’s all 
talk and no action – someone who’s undeservedly boastful – someone who believes he’s a cowboy or a 
rancher of great status but who, in fact, hasn’t a real 
asset to his name. That’s George Bush. He claims to 
be fighting “a war against terrorism.” He isn’t. He 
claims to be doing a lot to protect America from 
attacks. He isn’t. He believes he’s projecting Ameri 
can ideals to the world. He isn’t.

America would be far better off, in fact, Bush was the 
“unilateralist-cowboy” that his critics (especially in 
Europe) claim he is. The metaphor only goes so far, 
of course. For it’s a fact that as president and 
“commander-in-chief” Bush does have a “horse” at 
his disposal, a highly-trained, highly-capable horse 
that he resolutely refuses to ride. It’s the greatest, bravest 
fighting force in all of human history: the U.S. mil 
itary.

Have U.S. troops been “deployed” in the Middle 
East? Yes. But their morale is being sapped because 
they are not engaged. They are sitting ducks - sitting 
in Middle Eastern deserts, far from their families, 
weltering and playing cards – and doing all this 
today, still seventeen months after September 11th. 
For what purpose? According to their immediate 
boss, Defense Secretary Donald Rumsfeld, “There 
is no question but that the deployment of U.S. 
troops is being done in the service of diplomacy.”4 
(emphasis added) U.S. soldiers are being used as 
diplomatic pawns, not as soldiers.

Rumsfeld also has said that the U.S. is willing to pro 
viding safe haven and exile for dictator-terrorist Saddam 
Hussein and his henchman. 5 Thus U.S. officials not only

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2 In 2002 another contributing factor to the market’s decline was a U.S. regulatory war on business. See “The War on Business Intensifies,” The Capitalist Advisor, InterMarket Forecasting, Inc., July 12, 2002.
4 Donald Rumsfeld remarks before the U.S. Reserve Officer’s Association, mid-winter conference, January 21, 2003.
6 We waste no time in this report recounting the abundance of evidence that justifies a swift and unilateral military strike by the U.S. to abolish the current Iraqi regime and kill Hussein and his cohorts. Suffice it to say that the regime has weapons of mass destruction and has used them already – including against U.S. troops in 1991. Iraq under Hussein has invaded two countries and has fired missiles into five countries. The U.S. today isn’t “going to war” with Iraq – it has yet to finish the war that the first president George Bush ended prematurely (in deference to the U.N.) twelve years ago (when the “Gulf War” ended in February 1991).
are unwilling to depose and kill Hussein⁶ – they are willing to serve as Hussein’s real estate agent, to facilitate his re-location. Not coincidentally, given U.S. foreign policy, the so-called U.S. Department of Defense now plans to “deal” with terrorist threats for nearly three more decades.⁶

Confessed evader. Perhaps the most direct evidence of our view that U.S. officials have failed utterly in their Constitutional duties – that they’ve continued to allow terrorist threats against America to remain (and intensify) – that they’ve been evading those clear threats – that they have refused to wage war and dramatically reduce if not eliminate those threats – can be found in last week’s remark of Secretary of State Colin Powell:

This nexus between terrorists and states that are developing weapons of mass destruction can no longer be looked away from and ignored. As the President has said, 9/11 changed things.⁷ (emphasis added)

The threats can no longer be ignored? Why were they ignored before September 11th? And why have they been ignored and evaded since then – as implied by Powell’s view that they can no longer be ignored as of last week? They have been ignored – and terrorist regimes have not been vanquished – by the deliberate, treasonous choice of U.S. officials. They’ve been ignored primarily due to appeasing arguments of Powell himself.

The fact is September 11th changed nothing – at least nothing about U.S. foreign policy. U.S. officials appeased terrorist regimes before that tragic date⁸ and they’ve continued to appease them since then.⁹ If that date has changed anything at all it is the world’s perception of Washington, namely: that it is even weaker and even more willing to allow terrorism to continue and intensify than the terrorists originally believed (and hoped). No American who values his life, limb and property can be happy to witness this rather despicable state of affairs. Those taking to the streets (or the airwaves) in protest, to demand U.S. appeasement, seek to destroy this great country.

Appeaser-in-Chief. President Bush is the primary source of the problem – and of dangers to Americans. He’s the “Appeaser-in-Chief and has hired all of the other appeasers in his obscene administration. The gap between Bush’s words and actions is now as wide and as gruesome as the gap between the blocks where the World Trade Center towers once stood.¹¹ The smoldering embers of the so-called “Bush Doctrine” are all that is left of U.S. foreign policy.” It was Mr. Bush himself who blew up his own, valid doctrine.

What was the Bush Doctrine? In his address to Congress on September 21, 2001, Mr. Bush said: “Any nation that continues to harbor or support terrorism will be regarded by the United States as a hostile regime.” Well, Iraq continues to harbor or support terrorism. Iran continues to harbor or support terrorism. North Korea continues to harbor or support terrorism. Saudi Arabia continues to harbor or support terrorism. So does Syria. So does Lebanon, Egypt, Pakistan, Cuba and Yasser Arafat’s PLO.

The Bush Administration calls most of these terror regimes “allies.” And it still wants to reward the PLO with a state of its own – a pledge that it made just a couple months after September 11th. All these terrorist regimes still exist, as strong and as lethal to America (and Israel) as ever. In retrospect we can detect a central truth in Bush’s big words: these regimes “will be regarded” as hostile to the U.S. They

⁹ See “Terrorism and Its Appeasement,” The Capitalist Advisor, InterMarket Forecasting, Inc., September 17, 2001, especially the Appendix (pp. 11-17) which recounts a half-century of U.S. appeasement of Arab (and other) terrorism, including the Arab’s confiscation of oil reserves and equipment that were discovered, created and owned by Western companies.
¹¹ In another sign of complete capitulation to terrorism, the two architectural finalists chosen to re-build at the World Trade Center site do not propose anything close to the original towers. One consists of two towers of skeletal-like scaffolding, a structure that offers no office space or any possibility of human activity. It represents what America is fast-becoming: a shell of its former self. A skeleton, of course, signifies death and decay – not new life that is triumphant and proud.
will be looked at as threats to the U.S. Not vanquished – “looked at.” Today we’re still looking at them – while the new Office of Homeland Security tells Americans to seal their windows with duct tape and plastic, in preparation for a bio-terror attack.

On September 21, 2001 Mr. Bush also told Congress – and the nation – that “I will not yield, I will not rest, I will not relent in waging this struggle for freedom and security for the American people.” But he has yielded. He has rested. He has relented. And thus he has allowed on-going and intensified threats against the freedom and security of the American people to go unanswered, unchallenged and, most importantly, unvanquished. In his State of the Union address in January 2002 Mr. Bush said

We will be deliberate, yet time is not on our side. I will not wait on events, while dangers gather. I will not stand by, as peril draws closer and closer. The United States of America will not permit the world's most dangerous regimes to threaten us with the world's most destructive weapons. . . . We must prevent the terrorists and regimes who seek chemical, biological, or nuclear weapons from threatening the United States and the world. . . . Iraq continues to flaunt its hostility toward America and to support terror. The Iraqi regime has plotted to develop anthrax, and nerve gas, and nuclear weapons for over a decade. (emphasis added).

In retrospect, it should be obvious that Bush is all talk and no action. The facts are too obvious to ignore. Bush has “waited on events.” He has “allowed dangers to gather.” He has “stood by, while perils remain and draw closer” to America. He has “permitted the U.S. to be threatened with the world’s most destructive weapons.”

Now comes North Korea’s thugs. Today – more than a year after Bush spewed his empty rhetoric – Iraq continues “to flaunt its hostility toward America and to support terror.” But now, so also does the communist dictatorship of North Korea.12 Last October North Korea announced shamelessly that it had broken its prior agreements, that it was indeed developing nuclear weapons and would attack the U.S. with them if the U.S. in any way decreased its current food and fuel aid to North Korea. Part of North Korea’s nuclear capability was made possible by a 1994 “deal” with the U.S. government. But let’s be fair to Mr. Bush. He has taken some action. For he has promised to use diplomacy with the North Korean savages, that is, Bush has promised to appease them and give them more aid.13 Consider, for context, Bush’s hollow words back in February 2002 – words spoken at Korea’s Demilitarized Zone:

When satellites take pictures of the Korean Peninsula at night, the South is awash in light. The North is almost completely dark. . . . My vision is clear: I see a Peninsula that is one day united in commerce and cooperation, instead of divided by barbed wire and fear. . . . Korean children should never starve while a massive army is fed. No nation should be a prison for its own people. No Korean should be treated as a cog in the machinery of the state. . . . We must not permit the world’s most dangerous regimes to threaten us with the world’s most dangerous weapons. I speak for these convictions even as we hope for dialogue with the North. America provides humanitarian food assistance to the people of North Korea, despite our concerns about the regime. We’re prepared to talk with the North about steps that would lead to a better future, a future that is more hopeful and less threatening. But like this road left un-built, our offer has gone unanswered. Some day we all hope the stability of this Peninsula will be built on the reconciliation of its two halves.14 (emphasis added)

So, Bush said a year ago, “we must not permit the world's most dangerous regimes to threaten us with the world's most dangerous weapons.” But that's precisely what Bush “permitted” – a half-year later (last October), when North Korea issued its nuclear threats against the U.S. So, Bush said a year ago, “America provides humanitarian food assistance to the people of North Korea, despite our concerns

12 Last year – a year which began with a (proper) identification by Mr. Bush (in his State of the Union address in January) that North Korea was part of an “Axis of Evil” that endangered the U.S. and its allies in Asia – the U.S. used taxpayer money to send 230,000 tons of food to North Korea, food that was primarily consumed by the dictatorial government and the 4 million military personnel that represent roughly one-fifth of North Korea's entire population.


about the regime.” Are those “concerns” greater today – after North Korea’s most recent nuclear threats? Certainly. And what is Bush’s response? “Let them eat our cake” – cake which is certainly not his to give – and cake which goes to feed the brutes who threaten the same Americans who are compelled to pay taxes to provide the cake.

Craven back-peddling. Consider how drastically even the spoken policy of the U.S. has changed since September 11th. Eight days after that attack deputy secretary of Defense Paul Wolfowitz said the U.S. would “end states that sponsor terrorism.” Good start. But two days later Bush said the U.S. would “pursue states that harbor terrorists.” In January 2002 Bush said the U.S. would make “no distinction between terrorists and states that harbor them” – and named three members of an “Axis of Evil” (Iraq, Iran and North Korea). By summer 2002 he was speaking of just one of those countries (Iraq) and about the need for “regime change.” By fall of 2002 he has dropped “regime change” and said “we will disarm Hussein.” Soon thereafter be asked the U.N. to ask Iraq to disarm. This past January Powell and Rumsfeld suggested that the U.S. would help provide a safe-haven exile for Hussein, his “associates” and his family. In less than two years the Bush Administration moved from a promise to rid the world of terror regimes – to a promise to feed and protect (harbor) them.

In early April of 2002, President Bush sent Colin Powell off to the Middle East, primarily to arm-twist and brow-beat the only country in the world today that is fighting terrorism: Israel. While calling Islam “a good and peaceful religion,” Bush and his cohorts have repeatedly criticized Israel. In April 2002 Bush said Israel must negotiate with the PLO, must give it land – and must stop eradicating terrorists. He also said:

Terror must be stopped. No nation can negotiate with terrorists. For there is no way to make peace with those whose only goal is death. . . . Since September the 11th, I’ve delivered this message: everyone must choose; you’re either with the civilized world, or you’re with the terror-ists. All in the Middle East also must choose and must move decisively in word and deed against terrorist acts. . . . Storms of violence cannot go on. Enough is enough. . . . Iran's arms shipments and support for terror fuel the fire of conflict in the Middle East. And it must stop. Syria has spoken out against al Qaeda. We expect it to act against Hamas and Hezbollah, as well. It's time for Iran to focus on meeting its own people's aspirations for freedom and for Syria to decide which side of the war against terror it is on.”15 (emphasis added)

Mr. Bush has plenty of advice – for terror-sponsoring regimes that are, allegedly, never to be a party to U.S. negotiation. And Bush has advice that he himself won’t follow. He is negotiating with terrorist regimes – not only with Iraq, Iran, Pakistan, China and North Korea but also with former allies (France, Germany and Russia) that provide credit, nuclear materials, food and fuel to terror regimes. Worst of all, Bush is negotiating with the U.N., an agency which harbors every one of the terrorist regimes and their donors.

Yes, it’s true that “there is there is no way to make peace with those whose only goal is death.” Yet Mr. Bush keeps trying it anyway – while refusing to make war. Certainly, “everyone must choose; you’re either with the civilized world, or you're with the terrorists.” It is that black-and-white; it is good-vs.-evil. But Mr. Bush, by negotiating with terrorist regimes and agencies, has chosen to side with barbarism and against civilization. “Storms of violence cannot go on?” But they are going on – and they’ll keep going on, thanks to Bush. “Enough is enough?” Apparently it is not enough for Bush, for he can stop it, now. But he won’t - and that’s evil.

Can he get worse? The president’s most recent State of the Union address (January 28, 2003) was perhaps the most pathetic – and most evil – address he has ever delivered. The first three-quarters of it made no mention of terrorism or war. Bush promised to take hard-earned U.S. taxpayer money to give to AIDS patients around the globe, as well as to drug addicts and prisoners.16 He also promised to spend taxpayer money on non-economic hydrogen-
powered cars and spelled out a “Healthy Forests Initiative.” Thus Bush promised subsidies to people who do harm to themselves, aid to those who cannot build an economic car – and aid to trees. In a world full of terrorist threats to America, these are the crucial priorities on the mind of the U.S. president.

He’ll get there, eventually. But eventually Bush got around to discussing terrorism and national security – the threat he has evaded and fueled throughout most of his presidency. His words bespoke a man so delusional that he seems to believe there’s a war going on and that he’s winning it:

There is never a day when I do not learn of another threat, or receive reports of operations in progress, or give an order in this global war against a scattered network of killers. The war goes on, and we are winning. . . . We have the terrorists on the run, and we are keeping them on the run. . . . Today, the gravest danger in the war on terror ... the gravest danger facing America and the world ... is outlaw regimes that seek and possess nuclear, chemical, and biological weapons. These regimes could use such weapons for blackmail, terror, and mass murder. They could also give or sell those weapons to their terrorist allies, who would use them without the least hesitation. (emphasis added)

Not a day goes by that he doesn’t learn of yet another terrorist threat to America – while doing nothing about them. “The war goes on” – even though there is no war. In fact, the U.S. has not even won the war in Afghanistan. Notice, Bush didn’t say terrorists are dead; he said they are running around somewhere. He didn’t name one terrorist group that had been vanquished, because not one has been vanquished – and he knows it. Yet the U.S. is “winning.” Winning . . . what? Bush admitted that “the gravest danger facing America and the world is outlaw regimes that seek and possess nuclear, chemical, and biological weapons.” True enough. But why? Bush is president of the United States; he is its commander-in-chief; he is head of the world’s only “super-power.” It was his country that suffered an act of war – and still suffers threats of further attacks. Bush alone is responsible for allowing the continuation of grave dangers to America; he alone allows terror regimes to persist.

Like father, like son. Bush – as his father did in 1990-91 – has surrendered U.S. sovereignty to the U.N. But the “nations of the world” were not attacked on September 11th – America was attacked. The “nations of the world” are not threatened by further attacks or the object of hatred – America is. Yet Bush believes he’s “fighting terrorism” by asking the permission of the U.N. to exercise his Constitutional duties.

In fact, Bush is doing the precise opposite of defending America: he is promoting an agency that promotes terrorist-regimes, as valid members. Iraq is a member of the U.N. Iran and North Korea are members. China and Cuba are members. So are Syria, Lebanon and the terror-regime coddlers: Germany, France and Belgium. In “dealing” though the U.N., Bush necessarily deals with (negotiates with, appeases, sanctions) terror regimes bent on destroying America. According to Bush, in his latest State of the Union speech:

America is making a broad and determined effort to confront these [terrorist] dangers. We have called on the United Nations to fulfill its charter, and stand by its demand that Iraq disarm. . . . Yet the course of this Nation does not depend on the decisions of others. Whatever action is required, whenever action is necessary, I will defend the freedom and security of the American people . . . In Iran, we continue to see a government that represses its people, pursues weapons of mass destruction, and supports terror . . . On the Korean peninsula, an oppressive regime rules a people living in fear and starvation. Throughout the 1990s, the United States relied on a negotiated framework to keep North Korea from gaining nuclear weapons. We now know that the regime was deceiving the world, and developing those weapons all along. And today the North Korean regime is using its nuclear program to incite fear and seek concessions. America and the world will not be blackmailed. America is working with the countries of the region - South Korea, Japan, China, and Russia - to find a peaceful solution . . . We seek peace. We strive for peace. And sometimes peace must be defended. A future lived at the mercy of terrible threats, is no peace at all. If war is forced upon us we will fight in a

17 There are weekly reports of continued fighting – and further U.S. military casualties – in that country. The U.S. military entered Afghanistan in October 2001 – after waiting weeks for a rag-tag tribe known as the Northern Alliance and after following the tribe, on horseback, into the capital of Kabul. The U.S. waited so long to enter Afghanistan that it became possible for thousands of members of the Taliban and al Qaeda to flee to Pakistan, Somalia, Iran and parts of Europe.
just cause and by just means - sparing, in every way we can, the innocent. (emphasis added)

The Bush words say that “the course of this Nation does not depend on the decisions of others.” But the Bush actions are, clearly, thus: “we have called on the United Nations.” There was no mention, by Bush, that the U.N. also was “called upon” by his father, twelve years ago, to disarm Iraq (Resolution 687). There was no mention that no such “call” to the United Nations was protected America – that no U.N. resolution protected the World Trade Center from its first bombing in 1993 or from its last one in 2001. Bush has become a mere reporter of threats – new threats, every day! – to America. He has become the equivalent of the foreign correspondent for Al Jazeera television. This past week Bush continued to surrender America's national security requirements into the hands of the terror-regime-promoting agency that is the U.N.:

Now the world's most important multilateral body faces a decision. The decision is this for the United Nations: When you say something does it mean anything? You've got to decide, if you lay down a resolution, does it mean anything? The United Nations Security Council can now decide whether or not it has the resolve to enforce its resolutions. I'm optimistic that the U.N. Security Council will rise to its responsibilities and this time ensure enforcement of what it told Saddam Hussein he must do. See, I believe when it's all said and done, free nations will not allow the United Nations to fade into history as an ineffective, irrelevant debating society. I'm optimistic that free nations will show backbone and courage in the face of true threats to peace and freedom. If there is a conflict, American forces will act in the honorable traditions of our military, and in the highest moral traditions of this country.18

Look at yourself, George. What Bush demands of the U.N., the American people – and every civilized person in the world today – should be demanding of Bush himself. His mission should not be to “save” the U.N. – but to leave it and to cease helping it to harbor terrorist regimes. Paraphrasing Bush, let us say that “the world's most important government (the U.S.) faces a decision. The decision is this for the U.S. – and for its president: When you say some-

thing, does it mean anything? You've got to decide – if you lay down a doctrine, Mr. Bush – does it mean anything? The U.S. president can now decide whether or not he has the resolve to uphold American ideals – and to make sure he “will not allow the United States to fade into history.” He must “show backbone and courage in the face of true threats to America’s peace and freedom.”

But Bush has done none of these things – nor does he seem capable of them. He has shown no backbone, no courage, no sense of American ideals – and no understanding of his duties as commander-in-chief, with his obligation to provide for America's defense. The Bush approach actually hands the job of America's commander in chief over to thugs like Saddam Hussein. Why do we say this? In a February 7th press conference Bush's press secretary, Ari Fleischer, was asked if the president had “already made up his mind to go to war.” His answer:

In the President’s judgment, what’s more important, is that there is one person’s mind who matters the most, and that’s Saddam Hussein. The issue of whether or not war comes is a matter that Saddam Hussein will decide. . . . The President remains hopeful that war can be averted. . . . The President strongly believes that . . . we’ll work to convince Saddam Hussein to do what he always should have done, and perhaps the peace can still be maintained. . . . He is responsible to the American people and to their protection, per the Constitution, which is why the President went to the United Nations Security Council last September.19 (emphasis added)

Did you get that? Fleischer says the president is abiding by the U.S. Constitution – you know, the one that describes the role of the commander-in-chief, the one that describes how it’s the obligation of the president (and the Congress) to provide for the common defense of America. That is why, according to Fleischer, “the President went to the United Nations Security Council.” Huh? Neither Bush nor Fleischer (nor anyone else?) has any idea that the U.N. is un-American – or that the U.N. Charter is incompatible with the U.S. Constitution. The former requires a surrendering of U.S. sovereignty, duties and powers that the latter spells out clearly.

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Here’s why it’s happening. There is a specific, philosophic reason why everyone today genuflects before the U.N. and screams against unilateral action by the U.S. Part of it is sheer anti-Americanism – especially in American universities. But on a deeper level, we know that for decades intellectuals have taught that self-interest is tainted, morally-suspect – evil. By now even self-defense – surely a selfish act – has come to be viewed suspiciously. Today a “unilateral” act is considered a sin – diplomatic code for “selfish action” by any state. Never mind that a state (like the U.S.) might act unilaterally to promote freedom and vanquish tyranny; the evil, it’s argued, consists of the selfish act itself. Equally, it’s argued that only if one acts by the express permission (or sanction) of a group, a gang or a collective – that is, only when one acts “multilaterally” – can one’s actions ever be characterized as “clean,” “legitimate,” “proper” – good. Never mind that the collective (the U.N.) may include terrorist regimes that do evil things or else hamstring the anti-terror efforts of good governments; the good, it’s argued, is whatever the collective says it is.

It’s no coincidence that every single world conflict that has ever involved the U.N. has resulted in no termination of the perpetrator and – later – to an intensification of the initial conflict. For example, the U.S. made the mistake (in 1950) of involving the U.N. when North Korea invaded South Korea. Thousands of American soldiers lost their lives in the “Korean Conflict.” Yet after that war the attacking regime remained in place – and later, the same regime intensified its power and threats to freedom. Today, the dictator of North Korea is the son of the dictator who invaded the South in 1950. The U.N. also was involved in the Gulf War of 1991, yet the result was that the attacking regime (Iraq) was left in place and today remains an even greater threat to peace. The same pattern can be seen in the conflicts between Israel and its PLO-Arab attackers.

There’s a reason for this sordid pattern: the purpose of the U.N. is not to promote peace and stability in the world; its main purpose is to provide a safe harbor for dictatorships and terrorist regimes.

What would Jesus do? Many investors are sure to be confused as to why the president of the U.S. would refuse to perform his duties under the U.S. Constitution - why he’d deliberately expose America to attack - why he’d surrender U.S. national security to the U.N. - or why he’d negotiate with (and provide aid to) terrorist regimes. One must understand Bush’s basic philosophy. He is a self-proclaimed “born again” Christian. There’s only one other U.S. president in U.S. history that has been so afflicted: Jimmy Carter. Thus it’s no coincidence that the (failed) foreign policies of Bush and Carter look so similar.

In a 1999 debate among GOP presidential candidates, a questioner asked Bush to name his favorite “political philosopher.” Bush’s answer: Jesus Christ. Not John Locke, Thomas Jefferson or James Madison. Jesus Christ – because, Bush added, “he changed my heart.”

In making decisions, Bush must ask himself, “What would Jesus do?” As a self-described “born-again Christian,” Bush does whatever he does for Christ’s sake. The Christian influence on Bush is obvious – especially in foreign policy, which entails the national right of self-defense. Bush learned from Jesus that selfishness is evil. He also learned that certain evils – assaults and attacks by others, on one’s self (or country?) – must be accepted. In his Sermon on the Mount Jesus preached: “Ye have heard that it hath been said that ‘an eye for an eye and a tooth for a tooth.’ But I say unto you that ye resist not evil, but whosoever shall smite thee on the right cheek, turn to him the other also.” In presidential debates of 2000 Bush promised a foreign policy based on “humility.” As he was taught, he is not to resist evil. That’s precisely what we’ve been getting – and America suffers from it.

In his inaugural address (January 21, 2001) Bush, assuming that others share his own view of religion, said:

“We are guided by a power larger than ourselves who creates us equal in His image . . . We will build our defenses beyond challenge, lest weakness invite challenge. We will confront weapons of mass destruction, so that a new cen-

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But what about the carnage? In a recent speech to religious broadcasters in America, Bush explained how he deals with the suffering that comes from his policy:

In times of tragedy, faith assures us that death and suffering are not the final word; that love and hope are eternal. Religious faith not only comforts, it challenges. Faith teaches that every person is equal in God’s sight, and must be treated with equal dignity here on earth.²¹

Neededless to say, but “love and hope” will not eradicate terrorist regimes. Nor will faith. Nor will terrorism ever be eradicated when an American president believes that “every person is equal” and deserving of treatment with dignity (since that necessarily includes thugs like Saddam Hussein and Yasser Arafat).²² IFI is not the only observer that has noticed the role of Jesus in the foreign policy of Bush. In a February 6th press conference²³ hosted by Bush’s press secretary, Ari Fleischer was asked:

Fleischer: Lester, the decisions that the President makes about war and peace and about whether or not force needs to be used in Iraq are based on the President’s judgments as a secular leader about what is necessary to protect this country. The President is a deeply religious man. But these are decisions that the President will make based on intelligence reports, based on information that he is aware of on how to protect our country from potential attack. That’s what’s on the President’s mind -- particularly since September 11th.

In a similar exchange at the same press conference, Fleischer was asked:

Fleischer: I want to emphasize again the President is a deeply religious man, and there are many people in a variety of religions who are going to have different thoughts about how to keep the peace and whether or not to go to war with Saddam Hussein. The President will respect their thoughts, and he will act as he sees fit as Commander-in-Chief to protect the country.

Questioner #1: You just said the President is a deeply religious man. Jesus Christ was an absolute pacifist.

Fleischer: Ari, the National Council of Churches, led by a former Democratic congressman, the Reverend Bob Edgar, has enlisted a bishop, Melvin Talbert, of the President’s Methodist Church, to do a TV commercial, reported by The Washington Post, in which this Methodist bishop claims, "Going to war against Iraq violates God’s law and the teachings of Jesus Christ."

And my question is: Since the President is widely known to be a deeply religious person, he surely does not want you to suggest by any evasion that he agrees or does not care about this Methodist bishop’s claim. So what is his answer to this bishop’s charge of violating God’s law?

Fleischer: I, the decisions that the President makes about war and peace and about whether or not force needs to be used in Iraq are based on the President’s judgments as a secular leader about what is necessary to protect this country. The President is a deeply religious man. But these are decisions that the President will make based on intelligence reports, based on information that he is aware of on how to protect our country from potential attack. That’s what’s on the President’s mind -- particularly since September 11th.

Questioner #1: Ari, a group of bishops and pastors from the National Council of Churches, the United Methodist Church, Episcopal Church, sent a letter to the President last week. They said they want a meeting face-to-face with him because they’re "uneasy about the moral justification for war on Iraq." Will the President meet with these church leaders?

Fleischer: Lester, the decisions that the President makes about war and peace and about whether or not force needs to be used in Iraq are based on the President’s judgments as a secular leader about what is necessary to protect this country. The President is a deeply religious man. But these are decisions that the President will make based on intelligence reports, based on information that he is aware of on how to protect our country from potential attack. That’s what’s on the President’s mind -- particularly since September 11th.

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How does the President square his militarism with Jesus' pacifism?

Questioner #2: No, he wasn't – how about at the temple with a whip, where he beat the hell out of those money-changers? Does that sound like he's an absolute pacifist, Ari?

Fleischer: I think there may be a debate in the press corps about your question.

These exchanges show that close observers of Bush are aware of his religious convictions – and how those convictions conflict with a commitment of U.S. troops to protect America. Unlike IFI, of course, these questioners want to see a faithful following of Christianity by Bush – and they desperately oppose U.S. military action. The fact is, Jesus was a pacifist when it came to dealing with physical attackers and enemies; “turn the other cheek,” he advised – and let them have at you again.

On economic matters, in contrast, the second questioner (above) was right to recall that Jesus also counseled that harm be done to money-makers. Christ pronounced communal living and opposed private property. Christians were taught to despise money-making and money-makers. “Love of money is the root of all evil,” Christ said, and “it shall be easier for a camel to pass through the eye of a needle than to enter the kingdom of heaven.” That means the wealthy should go to hell. Perhaps it’s no wonder that last summer a White House official was found to say: “Politically, I would rather have picture of a CEO wearing an orange jumpsuit and shackles than pictures of Osama bin Laden being captured right now.”

“Born-again” Christians – especially “born-again” Christians who occupy the Oval Office – are singularly unfit to curb or vanquish Islamic terrorism. For all their differences over petty details, these two religions have far too much in common. That’s why Bush is so praiseworthy of Islam. It is, he has claimed – despite Islam’s long history of brutality and barbarism – “a good and peaceful religion.”

What do these two religions have in common? Above all, religion, of course. They both believe the world is run by a non-existent deity; one calls it “God” while the other calls it “Allah.” Both believe that “god” – or “allah” – blesses their countries (and their actions). Christians place the claim at the end of every speech; Muslims place it at the end of every sentence.

Armed with (or seeking) weapon of mass destruction, including nuclear weapons (although Mr. Bush insists on calling them “nucular” weapons), both Muslims and Christians wield these weapons while relying on faith and mysticism to guide their actions. Thus today’s most technologically-advanced weapons – built by scientists – are in the hands of intellectual barbarians. The only difference is that the Muslims would use these weapons while the Christians pledge never to use them (or “hope” they’ll never be needed). Muslims would strike the Christians “on the cheek.” In response the Christians would “turn the other cheek” – and let the assailant smash the other one. In a nuclear age, the first “cheek” may be translated as “New York City” – the second, as “Washington, D.C.”

Snooze button. America – and, one would think, especially its leaders – got a wake-up call on September 11th. Tragically, instead of rising to act – and acting swiftly – they blithely hit the snooze button.

When U.S. officials talk today, it’s as if they are talking in their sleep, for it is all rambling noise, full of fear and devoid of right action. But the “snooze alarm” metaphor is far too nice for these appeasers. By failing to wake up and protect America, U.S. officials are threatening human life and limb.

By the way, the new Office of Homeland Security does not count as “protection.” It is a cowardly, defensive agency which tells the world that America expects to be attacked. Slowly, day-by-day, this agency robs the American people of their civil liberties and their freedom of movement, bringing them closer to the climate of fear and repression found in Muslim regimes. By refusing to

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take the *offensive* against terrorism, *Washington lets terrorism win* – and slowly destroy America; by taking the *defensive* against terrorism, it ensures that terrorism wins by *slowly extinguishing the American way of life*.

Seventeen months ago – soon after September 11th – IFI named a simple rule for judging U.S. foreign policy and market performance:

> The more *swiftly* and *forcefully* the U.S. acts, the *better* it will be for markets. The more *slowly* and *timidly* it moves and the *less comprehensive* its use of force, the *worse* it will be for markets.\(^2^5\)

Unfortunately, the second foreign policy was followed by the Bush administration; the resulting, bearish stock market results have been as we predicted.

Contrary to popular commentary, the U.S. market has suffered *not* because the U.S. has gone to war to defeat terrorist regimes, but because it has *failed* to do so.

IFI has been right to advise an *underweighting* of the U.S. in global portfolios, an *underweighting* in U.S. stocks for U.S. portfolios and an *overweighting* in commodities for all portfolios. Despite improving fundamentals in the U.S. (earnings and interest rates), atrocious U.S. foreign policy continues to justify the allocations we’ve advised.

We remain committed to our initial interpretation: until and unless the U.S. government fights and vanquishes terrorist regimes, the U.S. stock market will have a difficult time rising in any material or sustainable way.
Thanks Are Due to the U.S. Military –
Despite a Bush-League War

Richard M. Salsman, CFA
President & Chief Market Strategist

NOVEMBER 30, 2003

As Thanksgiving week draws to a close, investors have good reason to be thankful for the stupendous efforts of the U.S. military in fighting terrorist regimes. U.S. military personnel have fought valiantly and effectively – when they’ve been allowed to do so.1 The highest compliment we can pay them is to say that they’ve fought not only valiantly but willingly, as part of a volunteer armed force, in defense of the greatest country on earth.

Rare competence. The U.S. military, which exhibits the discipline, honor and technological proficiency befitting a capitalist defense force, is one of the few elements of the U.S. government that has performed well in recent years. The same certainly cannot be said of the U.S. judicial system – not when it tries to break-up and strangle such great firms as Microsoft – or when it tosses pharmaceutical patents out of courtroom windows. The same also cannot be said of the legislative branch, since we’ve seen the U.S. Congress recently enact a massive new expansion of Medicare – an expansion, that is, of an already gargantuan and oppressive welfare state.

Above all, no honor or thanks can rightly be bestowed on the executive branches of government in the U.S., whether at the state or federal level. At the state level we’ve seen power-lusters like New York Attorney General Eliot Spitzer 1) running roughshod over the rule of law, 2) arm-twisting innocents into paying fines (or quitting their profession) without a shred of evidence presented against them in a court of law and 3) sabotaging investment portfolios in the process.2 You see, Eliot is running for governor of the state of New York; in the wake of the 2000-2002 bear market he needs scapegoats so as to make it appear that he’s a “crime fighter.”

A war on business, not terror states. For investors, the Bush Administration surely deserves no thanks but, rather, the harshest condemnations possible. For instead of upholding the value of the dollar, Mr. Bush and his cohorts at the U.S. Treasury have been debasing it, thereby causing a bearish rise in bond yields. Instead of fully unleashing the U.S. military on terrorist regimes, Bush and his cohorts have emboldened the SEC to unleash a Regulatory Blitzkrieg against free markets. And instead of waging a real war against savage regimes that are demonstrably harmful to America and its business climate, Mr. Bush and his aides at the Commerce Department have launched a trade war against foreign firms that send Americans economically-beneficial steel, textiles, apparel, lumber – and capital.

1 Sadly, they have not been allowed to do so, at least to the extent that they should. See “America’s Failing War Effort: A Report Card,” The Capitalist Advisor, InterMarket Forecasting, Inc., September 11, 2003. A bit more than a month after our report appeared, an internal Pentagon memo from none other than Secretary of Defense Donald Rumsfeld was leaked to the press (October 16th). In this memo Rumsfeld not only described the U.S. “war” effort as inadequate but concluded that “It is not possible to change the Department of Defense fast enough to successfully fight the global war on terror.” This is an amazing admission of impotence. So much for the U.S. being the world’s “sole superpower.” Yet Rumsfeld was not saying that the U.S. military isn’t highly capable; he was inferring that given the foreign policy of the U.S. – a policy of “tracking down” terrorist gangs instead of vanquishing the terrorist regimes which harbor and sponsor them – the Department’s capacities are simply not applicable. Whether Rumsfeld intended it or not, this memo was an indictment, not of U.S. military capacity but of U.S. foreign policy.

All hat and no horse. As we showed last February, when it comes to the so-called “war on terrorism” the American President is “all hat and no horse” – all talk and no action. In his “Axis-of-Evil” speech in January 2002 Mr. Bush pledged that he “would not wait on events, while dangers gather.” Yet that’s what he’s done. The Axis-of-Evil (comprised of the regimes of Iran, Iraq and North Korea) still exists, as do all the sponsored terrorist gangs and thugs: the Taliban, Hamas, Hezbollah, Islamic Jihad, Yasser Arafat, bin Laden and Saddam Hussein. Grave threats from barbarians persist. Yet the White House continues to negotiate with – appease – them.

As we’ve argued in the past, appeasement invites still worse evils than already have been inflicted on America – and that undermines U.S. business and investor confidence. It’s the constitutional obligation of the U.S. president and his government to provide for America’s national defense. But Mr. Bush has failed miserably in meeting this obligation. Investment portfolios are suffering for it. At first portfolios performed well – after the U.S. military invaded Iraq in mid-March and quickly demonstrated its awesome capacity. But in recent months portfolios have languished – despite robust profit growth and still-low interest rates – because Mr. Bush and his aides have prevented the military from finishing off the Iraqi terror regime and have prevented them, as well, from moving on to fight other regimes.

Mr. Bush is “all hat and no horse” – but that doesn’t mean he doesn’t have a horse to ride into battle. As commander-in-chief, he has the world’s greatest military at his command – great generals, great lieutenants and great troops. But Mr. Bush simply refuses to use the U.S. military to the fullest extent possible (and necessary). He has enlisted U.S. soldiers to serve as Baghdad beat cops, food distributors and road builders. These fine military men have been demoted to sitting ducks; not surprisingly, they’ve been ambushed and killed daily.

Precisely because the Bush Administration continues to appease terrorist regimes instead of vanquishing them – and because it has deployed the U.S. military half-heartedly – terrorist attacks and bombings have continued unabated. In causing the U.S. military to “pull its punches,” Mr. Bush has been sacrificing innocent American servicemen. Of the 450 U.S. soldiers that have been killed in Iraq since mid-March, two-thirds of them have died since May 1st – the day that Bush declared (lied) that the military battle in Iraq was over.

Just war. There are two kinds of commentary one reads regarding the so-called “war” in Iraq: the Democrats say no war should be waged at all, while the Republicans applaud the Bush Administration for allegedly performing spectacularly in war. They’re both wrong. War certainly should be waged against the many dictatorships that have attacked or threatened to attack America – not only in Iraq but also in Iran, North Korea, Syria and Saudi Arabia. But full-scale war is not being waged. The U.S. military is superior when it comes to war-making capacity, but the Bush Administration is inferior when it comes to exhibiting the political backbone and resoluteness required to defend American against barbaric regimes. The U.S. military is first-class, in the major leagues; but the president’s foreign-military policy is unquestionably both second-rate and bush-league.

As the president continues to put U.S. soldiers in harm’s way unnecessarily, one might ask: “For what purpose?” Is the goal to “rebuild” Iraq? But why? This should not be America’s aim. Our single purpose should be to defend America, which in today’s world means exerting a pre-emptive military capability that destroys regimes that inflict or sponsor terrorism. That’s it – and nothing more.

The goal should not be to build their roads and infrastructure, to feed their people or teach their children. If they want to read Thomas Jefferson – that

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3 “George Bush is All Hat and No Horse,” The Capitalist Advisor, InterMarket Forecasting, Inc., February 17, 2003.
5 Mr. Bush and the Congress have agreed in recent months to raise their spending levels on Iraq to more than $180 billion; that’s roughly 40% of the annual budget of the U.S. Department of Defense. Obscenely, some of these funds are being used to fund Baathists in “educational” and other political positions. Baathists are the Islamic henchmen who supported dictator Saddam Hussein. See “Baathists on Payrolls,” The New York Times, November 22, 2003, p. A1.
is, if they truly want to adopt free, republican government – they know where to go (and it isn’t to the Koran).

**Republicans for democracy?** It’s truly pathetic that Republican George Bush is perpetually advocating “democracy,” which in barbaric nations usually means “one man, one vote – one time.” America was founded as a *constitutionally-limited federal republic*, not as a democracy; under such a government people may vote, but may *not* vote to violate the rights of others or to elect officials who do whatever the hell they wish in violation of the Constitution. Democracy is nothing other than mob rule – and it’s certainly no protector of political or economic freedoms.

Equally pathetic - and immoral - is the Administration’s insistence on using the hard-earned money of American taxpayers to *enrich Islamic lunatics who despise riches per se*. What is the proper approach? When a *domestic* criminal does wrong he is incarcerated or, if his crime is heinous, subject to capital punishment; in this case there’s no moral obligation of taxpayers to provide him with all the comforts of home or to “rehabilitate” him. When, instead, domestic criminals are coddled, domestic crime only proliferates.

The same principle should apply to *criminal regimes abroad*; that is, to terrorist regimes in the Arab world and elsewhere. The regime members should be arrested or killed, not subsidized and rehabilitated. Jailed or killed. That’s it. End of mission. The U.S. military is capable of doing this, but Mr. Bush is not.

Not only is the Bush Administration failing to enact this crucial principle, but it’s helping establish theocratic dictatorships. In the name of “democracy” it is sanctioning schemes where religious fanatics “vote” for their “own” government and promptly unite church and state – that is, the Koran and terrorism. In Afghanistan such fanatics recently endorsed an Islamic state. A similar, vicious scheme is now being prepared for Iraq as well, for it is the “will” of the barbarians!

**Sponsoring theocracy.** This would all be bad enough, except that U.S. involvement in the so-called “re-building process” is putting the moral imprimatur of the U.S. government on such hideous, anti-American regimes. Perhaps “rebuilding” is an apt description, after all; for U.S. policy is making sure that the locals in these countries “rebuild” roughly what they had “built” previously: theocratic dictatorships that sponsor terrorism against locals and America. According to Mr. Bush, we and the families of dead U.S. soldiers should be pleased, because now the local citizenry will have voted for barbaric regimes that will *terrorize and attack* America again.

Now consider the tragic, historical context. By endorsing the ouster of the pro-U.S. Shah of Iran in 1979, the Carter Administration helped establish a theocratic-Muslim dictatorship in that country; even since that time, Iran has been the biggest sponsor of terrorism in the world. In fact, the U.S. State Department openly admits this, while pledging recently *not to seek any change in Iran’s regime* – even as Iran builds nuclear weapons to be used against America.

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7 In Iraq 60% of the population consists of Shiite Muslims who despise the West; thus “pure democracy” in Iraq would lead to a theocratic (Islamic) dictatorship that sponsors terrorism. Saddam Hussein, in “contrast,” headed a Sunni (Muslim sect) dictatorship that supported terrorism against the West. See Richard M. Salsman, “Turning Iraq Into Another Iran” *Capitalism Magazine*, April 23, 2003 (available at www.capmag.com/article.asp?ID=2720). See also “Iraq’s Shites Insist on Democracy; Washington Grines,” *The New York Times*, November 30, 2003, Section 4, p. 5 and “Sensing Shites Will Rule Iraq, U.S. Starts to See Friends, Not Foes,” *The New York Times*, November 20, 2003, p. A14. In this last article a Bush Administration official was quoted as follows: “Our basic position is that as we get to know more of Iraq in the West, we’re more comfortable with a democratic process, and if that emerges with a predominant Shiite role, so be it.”

8 See “The Armitage Doctrine,” Editorial, *The Wall Street Journal*, November 10, 2003, p. A16. In Congressional testimony recently Deputy Secretary of State Richard Armitage described Iran as a “rogue state” and “the world’s foremost state supporter of terrorism.” Senator Chuck Hagel asked: “Regime change in Iran: Is that our policy?” Armitage answered: “No sir.” That reversed the (un-executed) policy of regime change that had been named by the Clinton Administration. Hagel asked Armitage what the U.S. policy was toward Iran. Armitage answered: “Our policy is to eliminate the ability of Iraq to carry forward with Weapons of Mass Destruction.” This is to be done, Armitage alleged, by State Department (and U.N.) diplomacy (appeasement) – not by the U.S. military.

To this monstrosity the Bush Administration is now intent on adding Afghanistan and Iraq. After all, these republicans in the White House are devoted to being good little democrats! Here they favor Muslim mob rule. In just a few decades Washington will have helped establish three Muslim dictatorships, all of whom are dedicated to the destruction of America, its values and its skyscrapers. Instead of defending America the U.S. government is exposing America to more terrorism – just as it did when it helped establish the terrorist state of Iran in 1979.

**Less freedom at home, too.** In the meantime, of course, precisely because Washington’s foreign policy make us no safer, Washington has established a “Department of Homeland Security.” This agency, as long as it exists, will inexorably impose burdensome security costs on business and, worse, suppress privacy and civil liberties at home; that is, it will cause America to look ever more like the oppressive regimes that Washington has helped establish abroad.

It is precisely the monstrous, self-sacrificing foreign policy of U.S. appeasement, cowardice and ineptitude – the precise opposite of the virtuous traits exhibited by the U.S. military – which will likely cause a multi-year stagnation in U.S. equity prices.10

This doesn’t mean stock prices can’t (or won’t) rise on occasion, as they have in the past year. But an interminable and ineffective U.S. war effort – as was seen in Viet Nam in the 1970s – is sure to weigh on markets and prevent any sustained price rise of the kind seen in the 1990s. That decade was robust, in large part, because the demise of the U.S.S.R. (in 1991) lessened geo-political risks and helped boost stock prices and P/E multiples. In contrast, the U.S. foreign-military policy of appeasing terrorist states only heightens geo-political risks, which depresses stock prices and P/E multiples.

Having won the Cold War, Washington now seems wholly intent on losing the Islamic War.

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Three Years and Counting

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SEPTEMBER 11, 2004

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t’s been three years since America was assaulted in an act of war (September 11, 2001) – and the Bush Administration has yet to do anything substantive about it. Terror-sponsoring regimes such as Syria, Iran, and North Korea still exist and the latter two are rapidly developing nuclear weapons programs. Terrorist groups and thugs such as Al Qaeda, Hamas, Hezbollah, the Taliban, Yasser Arafat and Osama bin Laden also still exist. More than half of the 1,000 American military personnel killed in Iraq since fighting began in March 2003 have been killed since Mr. Bush declared “mission accomplished” on May 1, 2003.

As in Viet Nam, Washington’s pusillanimous “war effort” in recent years has consisted of sacrificing wonderful and courageous men and women in America’s armed forces. Political cowardice in the White House has prevented these heroes from waging an all out war to destroy terrorists in Iraq and has delayed their re-deployment against terror regimes conspiring against America elsewhere. The White House hasn’t even mentioned plans to wage war elsewhere. Meanwhile State Department “diplomacy” in Afghanistan and Iraq is creating two U.S.-backed theocracies that will likely be every bit as anti-American as they were before September 11th.

The abysmal U.S. war effort has translated into abysmal U.S. investment performance. Figure One shows how the S&P stock-price index has moved in the years surrounding U.S. involvement in six wars over the past century, including the “war on terrorism.” We index each episode’s price history to 100 at the time the U.S. entered each war and plot equity performance in the one-year periods before and three-year periods after the start of each war.1 Performance since September 2001 has been worse than it was during the Viet Nam War.

1 World War I (April 1917-November 1918), World War II (December 1941-August 1945), Korean War (January 1950-June 1953), Viet Nam War (July 1965-May 1975), Gulf War (August 1990-February 1991) and “war on terrorism” (September 2001-present).
The only U.S stock price performance that’s been worse than that of the past three years was the one following U.S. entry in World War I, a war which ended in 1918 but was followed by a deep recession (1920-1921). The five wars prior to the recent one saw the S&P gain an average of 37.7%, or five times the gain (7.3%) seen in the past three years. In the past stocks performed best when the U.S. engaged in total, unrestrained war and won it as quickly as possible (World War II, Gulf War); in contrast stocks performed worst when the U.S. government performed badly in waging war and let matters drag on (Viet Nam, “War on Terror”).

Remarkably, although S&P 500 profits have risen 106% since September 2001, stock prices have risen by merely 7.3%. In the same three-year period after the start of U.S. involvement in World War II profits had risen 109% while stock prices were up 50%. As mentioned, the average, three-year S&P price gain after the start of U.S. involvement in all five prior wars was 37.7%; in those episodes profits rose by an average of 42%. Thus price-earnings multiples tend to shrink during war – as stock prices usually rise less quickly than profits do. But shrinkage in the price-earnings multiple during the most recent “war” has been substantial. Whereas profits grew 41% in the three years after U.S. entry in Viet Nam and the price-earnings multiple shrank 18%, over the past three years the multiple has contracted by an astounding 48%. Profit growth has been strong and earnings quality has been sound, but Bush’s war effort has been neither strong nor sound.

The U.S. government’s most important job is to provide for America’s national defense; in today’s world the best defense is an aggressive offense. To succeed, Washington must allow the U.S. military to destroy terror regimes and gangs thoroughly and quickly – not with the equivalent of one arm tied behind its back or while changing bed pans. The Bush Administration has been on the offense to some extent since late 2002 – but not nearly enough. The most outrageous thing Bush has said recently is that it’ll take many years to fight (let alone win) the “war on terrorism.” Many years? This is wholly unnecessary, given that the U.S. is the world’s sole superpower. But no wonder it’ll take many years – terrorism is a tactic of the enemy, not the enemy itself; you don’t win war against a tactic, you win it against an enemy regime. The U.S. didn’t fight and win World War II by fighting kamikazes; it won by blowing a few of Japan’s cities to smithereens.

The need for “total war.” One of America’s most famous generals, General Curtis LeMay (1906-1990) of the U.S. Air Force, endorsed the crucial concept of “total war” – that once an enemy is identified there should be no delay in pursuing him, no mercy in vanquishing him and no holding back the firepower used against him (even against his civilians, whose demise is solely the moral responsibility of the aggressor, not of the U.S.). The point of waging “total war” is to win, win quickly and minimize casualties:

Within the Air Force LeMay was extraordinarily successful at every level of command . . . a brilliant pilot, preeminent navigator, and excellent bombardier, as well as a daring combat leader who always flew the toughest missions. A master of tactics and strategy, LeMay not only played key World War II roles in both Europe and the Pacific but also pushed Strategic Air Command to the pinnacle of greatness and served as the architect of victory in the Cold War. He was the greatest air commander of all time, determined to win as quickly as possible with the minimum number of casualties.

LeMay found himself caught in an impossible situation when he became Chief on June 30, 1961, for he did not understand his leaders and they did not appreciate his experience as a warrior. The new civilian authority, led by President John F. Kennedy and Defense Secretary Robert S. McNamara, adopted a policy of "flexible response" . . . [which] led the US into a ground war in Southeast Asia. [This] made no sense to LeMay. His advice on not entering combat in Southeast Asia was ignored, and most galling of all, once combat began his advice on how to win the war was ignored as well. Later, he noted that the U.S. dropped 502,000 tons of bombs on Japan and won the war. In Southeast Asia, the U.S. dropped 6,162,000 tons of bombs (mostly on our ally, South Vietnam) and lost the war. The difference was that in Japan, LeMay chose the targets, and in Vietnam, McNamara and President Lyndon B. Johnson did. His inability to deal with the Kennedy and Johnson administrations filled his years as Chief with frustration. LeMay believed in civilian control but also

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believed that civilian control of the military implicitly required careful consideration of the military's advice on military matters. (emphasis added)

The U.S. stock market knows all too well that the George Bush approach to war – not LeMay's “total war” but instead partial . . . and tentative . . . and apologetic war – is all too similar to the disastrous approach taken by JFK-LBJ-Nixon in Viet-Nam. The evidence – not only on the battlefield in Iraq but on Wall Street – bears this out. The problem for U.S. stock performance in recent years has not been any lack of robust corporate profit growth but rather investors’ understandable lack of confidence in U.S. foreign-military policy; investors are unwilling to look far ahead – long-range – to assign similar (let alone higher) price multiples to per-share profits. Bush's perpetual hints about a never-ending “war” effort only bring greater uncertainty.

**Iran still a threat.** Iran remains the most aggressive sponsor of terrorism in the world, as it was before 9/11. Yet it remains untouched by the U.S., even though, as revealed in a recent commission study, it played a role in 9/11:

The final report of the commission investigating the Sept. 11 attacks will offer new evidence of cooperative ties between Iran and Al Qaeda . . . suggesting that Iran provided several of the hijackers with safe passage in the year before the attacks, government officials said yesterday. The officials emphasized that the commission had no evidence to suggest that Iranian officials knew of the Sept. 11 plot. But they said the evidence raised new questions about why the Bush administration focused on the possibility of Iraqi ties to Osama bin Laden's terror network after Sept. 11, 2001, when there may have been far more extensive evidence of an Iranian connection. Officials . . . said the panel had recently obtained intelligence showing that Iran had ordered guards at its border stations not to stamp the passports of Qaeda members from Saudi Arabia who were moving through Iran after training at terrorist camps in Afghanistan . . .

The bipartisan commission had uncovered evidence that as many as ten of the Sept. 11 hijackers traveled through Iran in late 2000 and early 2001 and would have benefited from the Iranian policy, allowing them to enter the United States without an Iranian passport stamp, which could have made them subject to special scrutiny. The United States has . . . long accused the Iranian intelligence services of cooperating with terrorist networks, including Al Qaeda; President Bush has described Iran, Iraq and North Korea as an “axis of evil.”

In an interim report last month, the commission's staff said it appeared that there had been no “collaborative relationship” between Iraq and the Qaeda network, which appeared to undermine one of the Bush administration’s justifications for last year's invasion of Iraq. But the interim report . . . did cite new evidence of ties between Al Qaeda and Iran. The report last month said that in the 1990's “bin Laden's representatives and Iranian officials had discussed putting aside Shia-Sunni divisions to cooperate against the common enemy” and that a small group of Qaeda members “subsequently traveled to Iran and Hezbollah camps in Lebanon for training in explosives, intelligence and security.”

What’s the latest word on Iran from President Bush? Still more talk and still no action:

President Bush said yesterday that the United States is investigating possible connections between Iran and the terrorist attacks on the World Trade Center and the Pentagon, renewing his periodic warnings to one of the two remaining members of his “axis of evil.” The president's remarks staked out a hard line against the theocracy three days before the commission investigating the Sept. 11, 2001, attacks is scheduled to issue a report that is said to accuse Iran of abetting travel by at least eight of the hijackers. “We will continue to look and see if the Iranians were involved,” Bush said during a brief question-and-answer session in the Oval Office. “I have long expressed my concerns about Iran. After all, it's a totalitarian society where free people are not allowed to exercise their rights as human beings.” Bush's remarks were his toughest about Iran since April 21, when he told newspaper editors meeting in Washington that the development of a nuclear weapon by Iran “is intolerable” and that if the Iranians do not give up that quest “they will be dealt with, starting through the United Nations.”

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Just as the Bush Administration could learn something from General LeMay, it could learn something from General Douglas MacArthur (1880-1964). This great American general was dismissed by President Truman in 1951 because he recommended driving China (which backed North Korea’s invasion of South Korea) out of the Korean peninsula entirely – not merely back over the 38th parallel which it had crossed. The following account is informative, given that North Korea today remains hostile to the U.S. and now has nuclear weapons:

MacArthur conceived of the Korean War as a holy war; he kept talking about “unleashing Chiang Kai-shek,” then holed up in his island fortress on Formosa, and launching atomic strikes, all of which made Truman, the Joint Chiefs of Staff and the other UN countries involved very nervous. For Truman and the Joint Chiefs, Korea was an exercise in containment, but that made it a very frustrating war for many Americans. It meant that in this war the U.S. was not aiming for total victory, but for more limited, and more ambiguous, results. There is a tradition in American government that the military is subordinate to the civilian leaders. Generals do not make statements about policy without first clearing them with their superiors. But MacArthur, used to ruling in Japan, ignored the chain of command, and began writing letters about what the United States should do in Korea. . . . [that] the United States could only win by an all-out war. . . . so Truman fired him.6 (emphasis added)

Applicable to today, here’s what MacArthur told the U.S. Congress in his farewell speech (April 1951):

We suspect that many American soldiers in Afghanistan and Iraq today are asking their superiors the same question MacArthur was asked; if so, we doubt that the answer they’re getting is boosting their morale. We also suspect (and hope) today’s U.S. military still has men like LeMay and MacArthur; but if so, they’re no real help to America unless it also has a president willing to fight terror regimes the way fascist regimes were fought in World War II. The sooner war is fought totally, the more robust (and sustainable) U.S. stock gains will be. Absent a strategy of total war, the U.S. war on “terrorism” will continue to be interminable – and U.S. stock gains will continue to be as uninspiring as recent battles. In the meantime, of course, the go-slow and go-half-way approach to war leaves America exposed to further terror attacks on its homeland.
Past IFI Reports on the U.S. War Effort and Its Impact on Market Performance


Why America Can’t Win Wars Anymore

Richard M. Salsman, CFA
President & Chief Market Strategist

SEPTEMBER 11, 2006

Dangerous enemies have declared their intention to destroy our way of life . . . The attacks of 9/11 were meant to bring us to our knees, and they did, but not in the way the terrorists intended. Americans united in prayer, came to the aid of neighbors in need, and resolved that our enemies would not have the last word. The spirit of our people is the source of America’s strength. And we go forward with trust in that spirit and faith in a loving God who made us to be free! . . . Islam is a faith based upon peace and love and compassion, a religion committed to morality and learning and tolerance.2 – President Bush, 2006

Gentlemen may cry, “Peace, Peace” – but there is no peace. The war is actually begun. The next gale that sweeps from the north will bring to our ears the clash of resounding arms. Our brethren are already in the field. Why stand we here idle? What is it that gentlemen wish? What would they have? Is life so dear, or peace so sweet, as to be purchased at the price of chains and slavery?
– Patrick Henry, March 1775

Over the past five years we’ve observed something even more horrific than what we witnessed five years ago today, when Islamic terrorists sponsored by Islamic regimes in the Middle East murdered 3,000 innocents by using three commercial airplanes to destroy the World Trade Center and part of the Pentagon. Why more horrific? In the subsequent five years we’ve seen virtually no military response of consequence by Washington. President Bush, in a January 2002 speech before Congress, correctly identified what he called an “Axis of Evil” (Iran, Iraq and North Korea); he deliberately evoked the image of the axis powers in World War II (Germany, Japan and Italy), suggesting that Washington was planning to vanquish the new axis pretty much as it had vanquished the prior one.

But as the above excerpts from Mr. Bush reveal, American political leaders today only appease the enemy (i.e., embolden him) by suggesting, in effect, that he’s not the enemy (or that only his tactic – terrorism – is so) and that there’s nothing inherent in Islamic ideology that’s anti-Western and war-like. As the Islamic crazies wreak death and destruction on the West while appealing to their “Allah” (Arabic for “God”), Bush “responds” by himself appealing to Allah. Thus Bush is on his knees, both literally and figuratively, instead of standing up and directing the U.S. military to vanquish Islamic terror regimes. In 1775 America’s Founders – personified by Patrick Henry – had the courage to stand up and fight the world’s then-superpower (the British Empire); the result was success, American independence, political liberty and, subsequently, decades of peace and prosperity. But today the leader of the world’s sole superpower (America) can’t bring himself (or his un-matched military) to defeat 7th Century savages who pray half the day and live in caves.

Why we fought. Recall that Pearl Harbor was bombed in December 1941; less than five years later World War II was over, thanks to the efforts of two Democrat presidents, who helped bring a U.S. victory by August 1946. In the 1940s Americans and their leaders cared about preserving liberty; they were willing to fight for it, indeed to drop two nuclear weapons to achieve it. But where do we stand five years after 9/11? The Iranian terror regime still exists today; in fact, it’s stronger and more danger-

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3 For the full text of Henry’s speech, see page XX of this report.

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ous than it was five years ago. Given a “heads up” by Bush in 2002, Iran (with Russia’s help) has since accelerated its program for developing nuclear bombs. Meanwhile North Korea’s dictator-regime, also forewarned (and thus fore-arming), is building (and/or purchasing) its own nuclear weapons; in recent months it test-launched missiles to deliver them over a wider range.

**Bush sponsors two terror states.** In Afghanistan and Iraq the U.S. military capably toppled dictatorial regimes, but its hands have been tied by diplomats as 2,900 U.S. troops have been killed in (restrained) action; their surviving compatriots have watched helplessly as locals in each country have elected mullah-theocrats. Thus *Washington has sponsored two more Iranian-style regimes on either side of Iran.* Meanwhile, Washington has either failed to assist Israel, its only ally in Middle East, or else has actively restrained it from defending itself, even as Israel suffers repeated raids and missiles from Hamas and Hezbollah and even as Mahmoud Ahmadinejad, Iran’s dictator, declares that the Holocaust is a “myth” and pledges to destroy the state of Israel, just as Hitler destroyed four million Jews.4 Consider just a few of the brazen threats made by Ahmadinejad in recent months:

The annihilation of the Zionist [Israeli] regime will come . . . Israel must be wiped off the face of the map. We shall soon experience a world without the United States and Zionism. . . . If you [Americans] would like to have good relations with the Iranian nation in the future, bow down before the greatness of the Iranian nation and surrender. If you don’t accept this, the Iranian nation will force you to surrender and bow down. . . . If America does not abandon the path of falsehood, its doomed destiny will be annihilation. . . . Envision a world without the United States. Is it possible? It is.5

Like Bush, Ahmadinejad HERALDS religion; here’s an excerpt from his year-ago speech to the U.N.:

Faith will prove to be the solution to many of today’s problems. The Truth will shine the light of faith and ethics on the life of human beings . . . . Today, agnostic thinking is on the decline and presently humanity is equally enamored with religion and spirituality. This is an auspicious beginning. Divine prophets teach us about proper regard for the exalted state of human beings on earth . . . . "From the beginning of time, humanity has longed for the day when justice, peace, equality and compassion envelop the world. All of us can contribute to the establishment of such a world. When that day comes, the ultimate promise of all Divine religions will be fulfilled with the emergence of a perfect human being who is heir to all prophets and pious men. He will lead the world to justice and absolute peace. O mighty Lord, I pray to you to hasten the emergence of your last repository, the promised one, that perfect and pure human being, the one that will fill this world with justice and peace."6

And who, exactly, might play this role of the “perfect and pure human being,” the one who will “fill the world with peace and justice?” None other than Ahmadinejad himself — the religion-addled savage bent on destroying the U.S. and Israel. In December 2005, only a few months after his U.N. speech, Ahmadinejad could be found on PBS, openly declaring his special role and mystic charms:

On the last day when I was speaking before the U.N. assembly, one of our group told me that when I started to say "In the name of God the almighty and merciful," he saw a light around me, and I was placed inside this aura. I felt it myself. I felt the atmosphere suddenly change, and for those 28 minutes the leaders of the world did not blink. When I say they didn't bat an eyelid, I'm not exaggerating, because I was looking at them. And they were rapt. It seemed as if a hand was holding them there and had opened their eyes to receive the message from the Islamic republic.7

Now matter how much Bush may pray, he won’t beat this. On the contrary, the more he and his advisors pray to Ahmadinejad’s Allah, instead of fighting, the more likely America will be hit again.

**Wars and stocks.** Foreign policy and military strategy amid war matter significantly for investment

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5 Such quotes are easily obtainable on the Internet. But see also “Recognizing Iran as a Strategic Threat: An Intelligence Challenge for the United States,” Staff Report of the House Permanent Select Committee on Intelligence Subcommittee on Intelligence Policy, August 23, 2006 (http://intelligence.house.gov/Media/PDFS/IranReport082206v2.pdf).


performance, as shown in Figure One. We index the S&P’s performance to the beginnings of six wars (when the U.S. first got involved) in the past century. Prior to the latest, interminable “war on terrorism,” the five-year anniversaries of the prior five wars saw the S&P index higher by an average of 46%; but since 9/11 the S&P is up by only 25%. Note that the only other war that wasn’t over by this time (the fifth year) – the Viet Nam war – was accompanied by an equally-poor S&P showing. The S&P’s relatively weak performance since 9/11 is even more troubling because 2001 was in fact a recession year (even before the 9/11 attacks); thus the market had plenty of opportunity to rise robustly in the next five years. It hasn’t, because Washington’s response to 9/11 has been appeasing and pathetic.

Shrunken time horizons. Since the end of 2001 after-tax earnings of S&P firms have risen by 171%, yet the S&P price index has risen just 25%. Thus the S&P’s price-earnings multiple has plunged by more than half (from 40X to 16X). This shrinking of investor time horizons is due largely to Washington’s unwillingness to vanquish terror regimes and remove (or at least diminish) threats against America; and while failing to genuinely defend the nation, Washington also has imposed travel, security and regulatory burdens, establishing a “bunker mentality.” Spending by Washington also has spiraled out of control – a historical depressant on prosperity.8

Five years ago the U.S. was the world’s sole “superpower” – as it remains today. A decade before that (in 1991) the communist U.S.S.R. regime had effectively dissolved in an ash-heap. But being a super-power isn’t necessarily the same as acting like one. America’s political-military leaders have been made to feel guilty for America’s earned supremacy9 and thus have tied their own hands on national defense (including a perfectly legitimate pre-emptive defense10), thereby wantonly exposing (and subjecting) Americans to violations of civil liberty as well as to death and destruction. While the U.S. government certainly possesses military capabilities that far surpass those of its enemy regimes, its politicians lack the moral certitude, will power and courage (the virtue of acting resolutely and responsibly in the face of danger) to use these military assets in America’s defense. Consider the recent observations of Walter Williams, professor of economics at George Mason University:

Does the United States have the power to eliminate terrorists and the states that support them? In terms of capacity, as opposed to will, the answer is a clear yes. Currently, the U.S. has an arsenal of 18 Ohio class submarines. Just one submarine is loaded with 24 Trident nuclear missiles. Each Trident missile has eight nuclear warheads capable of being independently tar-

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geted. That means the U.S. alone has the capacity to wipe out Iran, Syria or any other state that supports terrorist groups or engages in terrorism – without risking the life of a single soldier. Terrorist supporters know we have this capacity, but because of worldwide public opinion, which often appears to be on their side, coupled with our weak will, we'll never use it. Today's Americans are vastly different from those of my generation who fought the life-and-death struggle of World War II. Any attempt to annihilate our Middle East enemies would create all sorts of hand-wringing about the innocent lives lost, so-called collateral damage. . . . Anyone who thinks current Western appeasement efforts will get Iran to end its nuclear weapons program and end its desire to eliminate Israel is dumber than dumb. Appeasement will strengthen Iran's hand, and it looks as if the West, including the United States, is willing to be complicit in that strengthening.11

Dovish (and guilt-ridden) hawks. Republican leaders today, with their undeserved reputation for being “hawkish,” are, in fact, not nearly as willing to defend America as Democrat leaders were fifty years ago. This is only one measure of how far U.S. political leadership in foreign affairs has degenerated in just a half-century. Most Democrats today are, of course, willing to sit by and watch America hog-tied and humiliated by the “Office of Homeland Security,” or else destroyed. But the so-called “leaders” of both parties merely reflect the underlying intellectual-moral trend of the past fifty years, which began (in the 1960s) with the universities preaching anti-Americanism and appeasement of evil, whether from enemies within or from without.

This steady stream of hatred for America, taught to generations of students – hatred not for America’s faults but for all its basic, capitalist goodness – has, over the years, seeped into the mainstream media. Of course, today’s conservatives love to blame the “liberal, mainstream media” for America’s troubles with the so-called “war” in Iraq and with terror gangs and regimes, but the media are merely the ex-apt pupils of past professors. And the general public, over the years, has been steadily conditioned to doubt America’s goodness and morally disarmed by both the universities they attended and, in the later years of life, by the media transmission belt of ideas. Combine all this with the steady “religion-ization” of America since at least the early 1980s, to the point where it’s viewed as “sensitive,” “tolerant” and “moral” to be a pacifist, to turn one’s other check to one’s enemies, so they can strike it again, having already struck the other. The result: an America, top to bottom, willing to appease enemies, even as American cities are bombed.

Outsourcing foreign policy. From at least the end of World War II, but especially since early 1990s, the U.S. government has gradually surrendered its national sovereignty (especially its right of self-defense in international affairs) to “world opinion” in general and the U.N. in particular. Of course, the U.S. was instrumental in forming the U.N. (in 1945) and since then has housed it in New York City. But no rational criteria has ever existed for U.N. membership; any nation could join it and contribute to votes aimed at blocking the U.S. (or Israel), regardless of whether the nation was free or not, regardless of whether it was a theocracy, a socialist dictatorship or a brutal-tribal African regime. Recall when Mr. Bush said, soon after 9/11, that the U.S. government would no longer condone regimes that harbor or sponsor terrorist gangs; but it has continued to condone such regimes (above all Iran) – and worse, Washington has sponsored and kneeled before the wishes of U.N. members, even though the U.N. itself harbors and promotes the terrorist regimes of at least a dozen nations. In this regard, Washington still has a policy of negotiating (however indirectly) with terrorists. U.S. politicians and diplomats over the years are largely responsible for this treasonous sacrifice of American sovereignty to the U.N., but their treason wouldn’t have been possible had they not, for years, been brainwashed by university professors (and their well-trained media minions), their minds marinated in the moral relativism of “multiculturalism” – the claim that all cultures are equally legitimate, equally

moral and equally worthy of study and respect. Curiously, America was the only exception to the multiculturalists’ creed; somehow America was the source of evil in the world: racist, sexist, bigoted, callous, patriarchic, and materialistic, a polluter of air and water, an inveterate exploiter of “third world” proletariat and endangered snail-darters. The real aim of the multiculturalists has not been cultural “tolerance” but a world free of American culture. Bush himself reflects this corrupt view, as seen by his craven view of Islam as a “good and peaceful religion” that’s been “perverted” by a few whackos. But the whackos who’ve truly undermined America’s resolve and emasculated its way of life are the wholly-home-grown multiculturalists, who’ve perverted America’s history and essence; if they weren’t a power, Washington today wouldn’t be cowering or begging U.N. thugs for a hearing.

No wins, four losses. It’s no coincidence that since the U.N.’s founding after World War II America has never won a war. The Korean conflict (not technically a “war,” since the U.S. involved the U.N.) lasted from 1950 to 1953, but the result was that even though the army of the communist North Korean government had invaded South Korea, the assaulting government was merely pushed back into its prior territory; after 54,000 American troops had been killed, Washington (bowing to U.N. pressure) allowed the invader regime to stay in place. Today’s North Korean dictator (Kim Jong-il) is the son of the Soviet-puppet-dictator (Kim Il Sung) who invaded South Korea”.12 Viet Nam was, of course, a disaster for the U.S.; again, a communist Northern regime (with Hanoi its capital) invaded a relatively-free Southern nation (with Saigon its capital); again the U.S. entered (in 1965) with the same, half-hearted aim as in Korea – not to assist the innocent South in vanquishing the invader from the North, but merely to push the invader back over the border, free to tyrannize another day. This time (1975) the U.S. and the South Vietnamese lost; and the entire country of Viet Nam went communist. Outrageously, more than 50,000 U.S. troops died during the Viet Nam war, so as to save the guilt of U.S. politicians and the advisers known as Harvard’s “best and brightest.” This vicious pattern continued with the “Gulf War” (1990-1991). Again, the U.S. appealed to the U.N. for “permission” to act against Iraq, which had invaded Kuweit. The U.S. went to the latter’s aid militarily, but yet again, with the half-hearted intent of merely pushing Iraq’s army back over its border. Yet again Washington allowed the invader-dictator (Saddam Hussein) to survive and tyrannize another day. He did so. Since March 2003 nearly 3,000 more U.S. troops have been killed, trying to fight in Iraq with their hands tied at their backs. None of these were U.S. “war victories.” Genuine victory requires that invader regimes be vanquished, not merely pushed back or relocated; it requires that invader regimes be made to pay in full for their aggressions, not merely returned to their original positions, having lost nothing (net) by their crimes.

Until and unless Mr. Bush (and his successor) stops praying to Allah – and Washington grasps the true meaning (and aim) of war – and U.S. politicians declare independence from the U.N. – and Americans demand a government that provides a national defense, instead of military (and civilian) body bags or national prayer days – this great country is doomed to repeat the path taken by the Roman Empire, when it too faced its own “barbarians at the gates.” Just one or two selectively-placed bombs set off in either Washington or New York, could easily and quickly bring chaos, civil war and martial law to America. The Katrina debacle will then seem like a tea party. The only way to prevent this disaster is to vanquish terror-sponsoring regimes now.

12 “In September 1945 Kim Il Sung (1912-1994) returned to Korea aboard the Soviet warship Pukachev. The Kremlin placed Kim in charge of the provisional government, until he came to power formally as premier of the newly-formed Democratic People’s Republic of Korea (DPRK) in 1948. Kim’s overriding goal from the outset was reunification with the South. There was no question that this objective could be achieved only by conquest. The two Korean nations were diametrically opposed in their political principles. Under the aegis of the United States, South Korea had adopted a capitalist regime. In March 1949, Kim began to nag Joseph Stalin for permission to invade South Korea. “We believe that the situation makes it necessary and possible to liberate the whole country through military means,” Kim pleaded. Stalin disagreed, believing that the North was incapable of prevailing against their adversary. In August and September the North Koreans nagged Stalin again. He still said no. In April 1950, Kim spent the entire month in Moscow lobbying for war. Finally, Stalin agreed. And on June 25, 1950 the Korean War began. The war lasted three years, ending inconclusively in a draw in July 1953. The border at the 38th parallel was reinforced, with U.S. troops stationed on the South Korean side. Half a million North Korean and 100,000 Chinese soldiers were killed, along with 415,004 South Koreans and 54,246 Americans. In the final analysis, the war had accomplished nothing.” (http://www.rottent.com/library/bio/dictators/kim-il-sung/).
Give Me Liberty Or Give Me Death\textsuperscript{13}

Patrick Henry, March 23, 1775

\textellipsis This is no time for ceremony. The question before the House is one of awful moment to this country. For my own part, I consider it as nothing less than a question of freedom or slavery; and in proportion to the magnitude of the subject ought to be the freedom of the debate. It is only in this way that we can hope to arrive at truth. \textellipsis Should I keep back my opinions at such a time, through fear of giving offense, I should consider myself as guilty of treason towards my country. \textellipsis Mr. President, it is natural to man to indulge in the illusions of hope. We are apt to shut our eyes against a painful truth, and listen to the song of that siren till she transforms us into beasts. Is this the part of wise men, engaged in a great and arduous struggle for liberty? Are we disposed to be of the number of those who, having eyes, see not, and, having ears, hear not, the things which so nearly concern their temporal salvation? For my part, whatever anguish of spirit it may cost, I am willing to know the whole truth; to know the worst, and to provide for it.

I have but one lamp by which my feet are guided, and that is the lamp of experience. I know of no way of judging of the future but by the past. And judging by the past, I wish to know what there has been in the conduct of the British ministry for the last ten years to justify those hopes with which gentlemen have been pleased to solace themselves and the House. Is it that insidious smile with which our petition has been lately received? Trust it not, sir; it will prove a snare to your feet. Suffer not yourselves to be betrayed with a kiss. Ask yourselves how this gracious reception of our petition comports with those warlike preparations which cover our waters and darken our land. Are fleets and armies necessary to a work of love and reconciliation? Have we shown ourselves so unwilling to be reconciled that force must be called in to win back our love? Let us not deceive ourselves, sir. These are the implements of war and subjugation; the last arguments to which kings resort. I ask gentlemen, sir, what means this martial array, if its purpose be not to force us to submission? Can gentlemen assign any other possible motive for it? Has Great Britain any enemy, in this quarter of the world, to call for all this accumulation of navies and armies? No, sir, she has none. They are meant for us: they can be meant for no other. They are sent over to bind and rivet upon us those chains which the British ministry have been so long forging.

And what have we to oppose to them? Shall we try argument? Sir, we have been trying that for the last ten years. Have we anything new to offer upon the subject? Nothing. We have held the subject up in every light of which it is capable; but it has been all in vain. Shall we resort to entreaty and humble supplication? What terms shall we find which have not been already exhausted? Let us not, I beseech you, sir, deceive ourselves. Sir, we have done everything that could be done to avert the storm which is now coming on. We have petitioned; we have remonstrated; we have supplicated; we have prostrated ourselves before the throne, and have implored its interposition to arrest the tyrannical hands of the ministry and Parliament. Our petitions have been slighted; our remonstrances have produced additional violence and insult; our supplications have been disregarded; and we have been spurned, with contempt, from the foot of the throne! In vain, after these things, may we indulge the fond hope of peace and reconciliation. There is no longer any room for compromise. It is the business of the并不代表 gentlemen to consider with what means we may resist the tyranny which now bears down upon us.

In vain, after these things, may we indulge the fond hope of peace and reconciliation. There is no longer any room for the pretense of negotiation or conferred mission? Can gentlemen assign any other possible motive for it? Has Great Britain any enemy, in this quarter of the world, to call for all this accumulation of navies and armies? No, sir, she has none. They are meant for us: they can be meant for no other. They are sent over to bind and rivet upon us those chains which the British ministry have been so long forging.

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They tell us, sir, that we are weak; unable to cope with such formidable an adversary. But when shall we be stronger? Will it be the next week, or the next year? Will it be when we are totally disarmed, and when a British guard shall be stationed in every house? Shall we gather strength by irresolution and inaction? Shall we acquire the means of effectual resistance by lying supinely on our backs and hugging the delusive phantom of hope, until our enemies shall have bound us hand and foot? \textellipsis The battle, sir, is not to the strong alone; it is to the vigilant, the active, the brave. Besides, sir, we have no choice. If we were base enough to desire it, it is now too late to retire from the contest. There is no retreat but in submission and slavery! Our chains are forged! Their clanking may be heard on the plains of Boston! The war is inevitable – and let it come! I repeat it, sir, let it come.

It is in vain, sir, to extenuate the matter. Gentlemen may cry, “Peace, Peace” – but there is no peace. The war is actually begun. The next gale that sweeps from the north will bring to our ears the clash of resounding arms. Our brethren are already in the field. Why stand we here idle? What is it that gentlemen wish? What would they have? Is life so dear, or peace so sweet, as to be purchased at the price of chains and slavery? Forbid it, Almighty God! I know not what course others may take; but as for me, give me liberty or give me death!

\textsuperscript{13} http://libertyonline.hypermall.com/henry-liberty.html.
IFI Reports on the War
(2001-2006)


“Mr. Market is Not Pleased – and a Conservative Investment Stance is Vindicated,” Investor Alert, June 7, 2002.


“George Bush is All Hat and No Horse,” The Capitalist Advisor, February 17, 2003.


“Are There Parallels to the 1930s?” Investment Focus, March 21, 2005.


America’s Longest War: Why Failure is Washington’s Preferred Option

Richard M. Salsman, CFA
President & Chief Market Strategist
JUNE 30, 2010

The so-called “war” in Afghanistan, begun in October 2001, soon after the 9/11 Muslim terror attacks on New York City and Washington, is now the longest on record in U.S. history. This prolonged, tortuous quagmire is wholly unnecessary – and thus a profound tragedy. The Bush Administration is largely to blame.1 But now consider the pathetic Obama Regime, scrambling this week to squelch a near-mutiny, shuffling its top commanders in Afghanistan – without any change in the basic strategy – and hinting that U.S. troop withdrawals will not even commence in July 2011, as initially planned. Thus America’s longest war will become longer still – with no end in sight. The failure rate is also worsening, as time passes – and as the nearby table documents. With the enemy described as “resurgent,” deaths of American military and coalition forces in Afghanistan reached a record this month.2

So what’s the problem? America certainly has fought and won much tougher wars than this one, against far more formidable opponents, and in much less time. In less than eight years, from 1775 to 1783, an under-manned, underarmed and highly-variable collection of U.S. colonists led by General George Washington (with the help of some notable European generals), beat the army of the British Empire – then the most powerful in the world. The U.S. was born. In less than four years (1861-1865) the American North beat the feudal South, to arrest anarchy, prevent disunion and abolish slavery. In less than five years (1941-1945) the U.S. and Britain beat Hitler’s Nazi Germany, Mussolini’s fascist Italy and Tojo’s imperialist Japan. The North Koreans were repelled in three years (1950-53). And not even the misguided quagmire of Vietnam lasted as long as the U.S. debacle in Afghanistan.

The problem for the U.S. government in Afghanistan has nothing to do with there being a formidable opponent, a hostile terrain, local corruption, or insufficient manpower-firepower. Since the fall of the Soviet Union in 1991, the U.S. has been the world’s sole superpower – while Afghanistan has been (and remains) one of the world’s weakest and poorest nations. The Pentagon now gets about $700 billion p.a. in funding, or 100 times Afghanistan’s annual GDP. The fact that Washington can’t seem to win this

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U.S. Military and Coalition Deaths in Afghanistan
October 2001 – June 2010

<table>
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* 6 months through June 30, 2010

Source: http://icasualties.org/OEF/index.aspx
war – and that conditions worsen each year – reflects the fact that our so-called “leaders” in Washington don’t really want to win this war. But why is this so?

The deficiency and corruption undermining the U.S. military effort in Afghanistan exist not primarily in Kabul or even the U.N., but in the White House, State Department and the Pentagon, where most of the “leaders” believe it is “moral” to appease one’s enemies, to pull punches, and to force the brave soldier in the field to fight with one hand (the armed one) tied behind his back.

This is the essence of the so-called “counter-insurgency” tactics adopted by General Stanley McChrystal, until a few days ago the top U.S. commander in Afghanistan. This week Mr. Obama, the Commander-in-Chief, fired McChrystal for making disparaging comments about him and his aides, to the press; but in doing so, Obama also said explicitly that he would not change the suicidal U.S. strategy known as “counter-insurgency.” Notably, General McChrystal was not complaining that Mr. Obama was being too dovish in Afghanistan; he was complaining that Obama wasn’t being dovish enough, that he wasn’t giving him a larger contingent of troops which he could expose, disarmed, and sacrifice in the field, so as to appear “humanitarian,” to engage in futile nation-building in a primitive, religious wasteland.

The rules of engagement associated with the “counter-insurgency” strategy of Obama-McChrystal-Patraeus entail the American soldier pocketing his weapon, mingling with the locals, seeking to gain their confidence, hoping they’ll identify embedded but hard-to-spot militants. This tactic sees the U.S. soldier not as the highly-trained, efficient machine that breaks things and kills the bad guys (including civilians who harbor, aid or abet the bad guys) but as a social worker or undercover cop, managing bed-pans or polling booths, aping the locals, but more often than not getting killed in the process. It’s a passive, pacifistic and defensive strategy requiring ten times as many troops as would be required with an offensive strategy of total war. Counter-insurgency necessarily kills many more of these over-exposed American troops.

Confirming his belief in this soldier-killing strategy, Obama now names General David Patraeus – the author of these suicidal rules of engagement, or “counter-insurgency” – to replace McChrystal as commander in Afghanistan. One might easily surmise that Obama actually prefers seeing American troops mowed down, since, as a youth, he was taught that they are evil, imperialistic baby-killers. This interpretation may sound unbelievable, even bizarre, but it’s true. The real deficiency lies not in U.S. troop skills or military capacity but in the unwillingness of America’s political-military leaders to fight an all-out war and to win it as quickly and as forcefully as possible. They white-wash their guilt by claiming the loss of the U.S. soldier is a “noble sacrifice.” But General George Patton was right on this issue: the job of the American soldier is not to “die for his country,” but to make sure the enemy dies for his country.

History shows that to truly succeed at war, it must be a just one and the ultimate goal must be nothing less than victory – not the giving of humanitarian aid, but unilaterally decimating the enemy and his supports. But America’s military leaders – and above all, its Commander-in-Chief – feel guilty and embarrassed about their country and the troops they arm. They’d much rather sacrifice the soldiers’ safety and lives – while pretending to engage in “humanitarian” acts and extolling the bloody sacrifices as “noble” – than to project power, crush the enemy and advance American security and interests. This is why, as we’ve previously explained, America can’t win wars anymore.

Its so-called leaders in politics and the military refuse to fight and win, in the only legitimate sense of those terms; they prefer to use the troops (and tax-payers) like cannon fodder. Here’s part of our prior analysis of why America’s political leaders in both parties are reluctant to fight and win:

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Republican leaders [have] undeserved reputation for being “hawkish” . . . They are, in fact, not nearly as willing to defend America as Democrat leaders were fifty years ago. This is only one measure of how far U.S. political leadership in foreign affairs has degenerated in just a half-century. Most Democrats today are, of course, willing to sit by and watch America hog-tied and humiliatd by the “Office of Homeland Security,” or else destroyed. But the so-called “leaders” of both parties merely reflect the underlying intellectual-moral trend of the past fifty years, which began (in the 1960s) with the universities preaching anti-Americanism and appeasement of evil, whether from enemies within or without. This steady stream of hatred for America, taught to generations of students – hatred not for America’s faults but for all its basic, capitalist goodness – has, over the years, seeped into the mainstream media. Of course, today’s conservatives love to blame the “liberal, mainstream media” for America’s troubles with the so-called “war” and with terror gangs and regimes, but the media are merely the ex-apt pupils of past professors. And the general public, over the years, has been steadily conditioned to doubt America’s goodness and morally disarmed by both the universities they attended and, in the later years of life, by the media transmission belt of ideas. Combine all this with the steady “religion-ization” of America since at least the early 1980s, to the point where it’s viewed as “sensitive,” “tolerant” and “moral” to be a pacifist, to turn one’s other check to one’s enemies, so they can strike it again, having already struck the other. The result: an America, top to bottom, willing to appease enemies, even as American cities are bombed.6

The original U.S. military aim in Afghanistan was to capture and kill Osama Bin Laden, planner of 9/11, along with his killer terrorist gang, Al-Qaeda, while also routing the medieval Taliban from power in Kabul. The U.S. has accomplished none of this, and now 95,000 U.S. troops, even while facing less than one-third as many opponents, are dying at ever-faster rates.

We face a very tough fight in Afghanistan. But Americans don’t flinch in the face of difficult truths or difficult tasks. We persist and we persevere. We will not tolerate a safe haven for terrorists who want to destroy Afghan security from within, and launch attacks against innocent men, women, and children in our country and around the world. So make no mistake: We have a clear goal. We are going to break the Taliban’s momentum. We are going to build Afghan capacity. We are going to relentlessly apply pressure on Al Qaeda and its leadership, strengthening the ability of both Afghanistan and Pakistan to do the same. That’s the strategy that we agreed to last fall; that is the policy that we are carrying out, in Afghanistan and Pakistan.9

Obama doesn’t want to destroy the enemy, just “break” his “momentum.” This the enemy will still live and move around, but not so quickly. It’s a “tough fight” only because Obama, like Bush before him, deliberately makes it a one-sided fight, in the process crippling – and killing – U.S. troops.10 These are treasonable acts, emanating from

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7 “CIA Head Panetta Counts Fewer than 100 Al-Qaeda Members in Afghanistan,” ABC News, June 28, 2010 (see http://abcnews.go.com/ThisWeek/week-2010-0628/story?id=11025299).
8 “Top Ten Policy Blunders of the Past Decade,” The Capitalist Advisor, InterMarket Forecasting, Inc., December 31, 2009
the White House and the Pentagon. According to one trenchant analysis of U.S. appeasement in Afghanistan – by means of the “counter-insurgency” strategy – the war has been made un-winnable. The fault is Washington’s:

The Afghan war’s going horribly, and it’s been going horribly from day one. The purpose of the Afghan strategy originally was to destroy Al Qaeda, to kill Bin Laden and all his lieutenants and to devastate the Taliban. The Taliban is resurgent, Al Qaeda is still around, Bin Laden is still alive and his deputy is still alive. Yes, we’ve hurt their infrastructure dramatically; they aren’t as potent as they were, although some intelligence agencies suggest maybe they are just as potent. So this has been an abject failure from beginning to end. McChrystal just made it worse in many respects. One of the real criticisms of McChrystal which hasn’t been brought out by the media is from his own troops. They’ve been saying that the rules of engagement in Afghanistan are such that we are placing the lives of Afghans, civilians and even potential hostiles way above the value of American troops. They can’t fire first and can’t fire back when fired upon unless they have clear evidence that they will hit hostiles. The rules of engagement have really crippled the U.S. military’s ability to fight this war. But it’s worse than that. Not only have they crippled their ability to win; they’ve crippled their ability to stay alive. American troops are dying in Afghanistan because they are not being allowed to defend themselves. Unfortunately, this is a strategy that flows from the Iraq strategy that many people believe was a success – and I believe was an abject failure. We’re trying the same thing in Afghanistan, and it will fail there on even a bigger scale.11

It’s also not true that General Patraeus succeeded with the Iraq “surge” due to some step-up in actual fighting.

Patraeus didn’t loosen the rules of engagement in Iraq. Indeed, he’s the guy who invented these loose rules of engagement, to a large extent. He wrote the manual about counter-insurgency warfare. His “solution” to Iraq was basically to bribe our enemies. Our troops landed with large suitcases full of cash and handed it out to Sunnis, to turn them to our side. We’ll see, long-term, what kind of consequences that will have in Iraq, but I think they will be devastating. I think Iraq will be a worse enemy of the U.S. than it was under Saddam Hussein. We didn’t defeat the enemy in Iraq. Now, granted, we never defined the enemy in Iraq and it was never clear who the enemy was – whether the Sunnis, Al-Qaeda in Iraq, or the Shiites. The Shiites we handed power to, and they are probably more anti-American than the Sunnis were. Iraq was a mess, it was a mess from the beginning, and there was no clear American mission. We got rid of Saddam Hussein, but the question then became “now what?” Patraeus got us out of there. That is the best you can say about what he did. He pacified the place, but he pacified it by means that projected American weakness. There have been plenty of stories of the American military using the tactic of bribing tribal leaders. Much of this money is being funneled into the coffers of warlords of Afghanistan, many of whom are friends of the U.S. one day but of the Taliban the next day. They don’t care. I think Afghanistan is far more barbaric than Iraq was, far more tribal even than Iraq was – and Iraq was a pretty brutal place. I think we’ll discover that it’s going to be far more difficult to deal with such people using the tactics of Iraq.12

The best approach is “total war” – as succeeded in past U.S. wars (excepting Viet Nam):

General Sherman said it best, that “war is hell,” and the goal should be victory and nothing short of victory. The way to win is to crush the enemy and that means a lot of people die. You have to kill a lot of people. You have to bring the enemy to its knees. You have to get them to surrender. You have to get them to give up their ideology that they thought would defeat you.”

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But this is not the approach Barack Hussein Obama will likely adopt, because at root he doesn’t want to under-

12 Ibid.
13 Ibid.
mine the anti-semitic, anti-Israeli forces standing opposite the U.S. military which he so distrusts. Here’s a recent, brief account of Obama’s hideous and disturbing attitudes toward Islam and Israel, by a Yale scholar:

Basically, Obama is a revolutionary. That doesn’t mean he’s looking to stir up violent trouble, but I believe that he is trying to transform both the American political system and economic system and America’s relationship to the world. I also believe that he has decided that America must make its peace with Iran and that he has stalled all attempts to bring meaningful sanctions to Iran. Finally, I believe that he is a man who is highly intelligent, knows what he’s doing, and in spite of the fact that he has attracted Jewish liberal supporters, some with great wealth, his intention is to correct [what he sees as] the historical “mistake” of the creation of the state of Israel. This by the way has been a theme that has gone through American diplomacy from the time that the state of Israel was first created in 1947-1948, when Secretary of State George Marshall, and after that his successor Dean Acheson, then John McCoy and a number of other people who have been called “wise men” told Truman that it would be a mistake to establish the state of Israel. Marshall threatened to resign as Secretary of State if Truman went through with it. Truman nevertheless went through with it. But there has been a tradition in the State Department ever since that this was a historic mistake. The problem is that if you try to correct this mistake, you can only do this by not only destroying the state [of Israel], but by destroying the [Jewish] people. Since the Arabs have not been able to destroy the Israeli state by themselves, they have used diplomacy and international pressure to create a situation in which the odds are stacked – in the U.N. and elsewhere in the diplomatic world – heavily against Israel.

Given Obama’s background, the fact that his family on his father’s side was Muslim, that his sister is a Muslim, that his half-brother is a Muslim, there is no doubt that he heard a great deal about Islam and Israel from them, before he took office, and though he was not candid about it at first, he has by his decisions and his symbolic actions made it clear where his sympathies are. I have no doubt that he would not be unhappy to see the destruction of the state of Israel, as long as he can say that “my hands have not shed this blood,” which is a phrase from the Bible. In addition to that, he has hostility towards Western Europe, especially to England, as characterized by the symbolic action of returning the bust of Winston Churchill to the English, one of his first acts [as President]. Also, he has made some interesting symbolic moves, for example, bowing to King Abdullah of Saudi Arabia. Since King Abdullah is the keeper of the two holiest shrines of Islam – Mecca and Medina – one wonders why [Obama] did this, but when a head of state, which is what Obama is, makes a symbolic statement like that, you know he’s trying to convey a message, and it’s not one that we in Western Civilization can really accept. Finally, [Obama] has talked of a nuclear-free Middle East and a nuclear-free world, and what he intends to do of course, if he can, is disarm Israel’s great equalizer. [Israel] has been able to defend itself against the far more numerous Arabs by virtue of the fact that it has nuclear weapons, and Obama will, and has indicated he will, apply every pressure to Israel take that equalizer away from them. So the way I see it, this man is a menace – to Israel, to Western Europe, and I might add that Western Europe is beginning to have sanctions against Iran which are far greater and more effective than anything Obama was willing to tolerate and to the whole of the Western world. He aims for a radical transformation. He is the most radical president America has ever had.14

In addition to monetary policy, fiscal policy, regulatory policy and trade policy, Washington’s foreign policy is an important element of the “policy mix,” which influences investment returns.15 U.S. foreign policy, including that which allowed 9/11, has been bearish for the past decade – and more so in tiny and primitive Afghanistan, with every passing year, due to a “politically-correct,” essentially pacifist strategy that aims not to destroy the enemy but to mollify it. The contradictory U.S. aim has been to “win the hearts and minds” of those who cherish the 7th Century. Who’s the real barbarian here – Al-Qaeda, or Obama? America’s leaders are losing the Afghan war – yet “doubling down” on the same failed strategy – because they don’t really care to win. That’s bearish for U.S. credibility, status, power and investments. Nor is the prognosis good for this aspect of the policy mix; looking ahead, U.S. appeasement of Iran – the real locus (and sponsor) of evil in today’s world – will only intensify, especially as (and when) Tehran gets nuclear weapons.
