

April 26, 2002

Dear PCM Client:

We put a lot of thought into the first paragraphs of these quarterly letters, for we know that what the reader sees first either turns him or her away, or encourages further reading. For the first page of this one, we want to tell you about the April Fools jokes that were foisted upon us. Right out in front was Mother Nature, who dumped up to eight inches of snow on us on April 1! And this storm was a real one, all across Minnesota, a real April fooler! And then our colorful Gov. Jesse Ventura announced to the "jackals" (his definition of news reporters) in a press conference that he had finally decided to run for governor after all. You could hear the whispering in the background among the reporters--but then Jesse announced that it was only an April Fools joke. What class! But more on him in a later paragraph titled "Our Irrelevant Governor." But now there are more important things to worry about in Minnesota, as Jesse is not only irrelevant, but is about to be put out to pasture by Brian Sullivan, our choice to lead Minnesota after the fall election. And what is more important? Highways, no question about it. Minnesota spends huge dollars each year to promote tourism, but this year anyone trying to explore Minnesota will be doing more exploring than they bargained for as shown in the Sack cartoon.



Now, we don't want to be misunderstood, for highway improvement is crucial, but we do have issues with the DOT and its goofy polices which continue to result in a lot of inconvenience for Minnesota motorists. Here, in the metro area, the on-ramp lights are an unmitigated disaster, as are the so-called "sane lanes." Time, money, and fuel are wasted, and pollution increased by the inability of the DOT to adjust the ramp meters to reasonable intervals (or eliminate the darn things) and to allow sane lane traffic for a fee or eliminate them all together. All

drivers subsidize the sane lanes through the Minnesota gas tax, which incidentally could be raised by 6¢ per gallon to 26¢ per gallon, yet are discriminated against by not being allowed to drive where cars with two passengers can go. This is crazy. Gas tax dollars are the same regardless of from whom they come. When we drive from the western suburbs to downtown Minneapolis in the 7-9 a.m. sane lane time frame, that lane carries

few autos, while the other two lanes are hardly moving. Law respecting citizens sit in the slow moving lanes while some scofflaws scoot to town in the sane lane. None of this makes any sense to us. We pay our dues (gas tax) and are (or should be) entitled to travel on the pavement our taxes built. It has seemed to us for a very long time that this would be a great case for the American Civil Liberties Union to pursue, and we are surprised it hasn't happened yet. Perk needs a cause to fight for; maybe this is it!

### WALL \$TREET WEAK

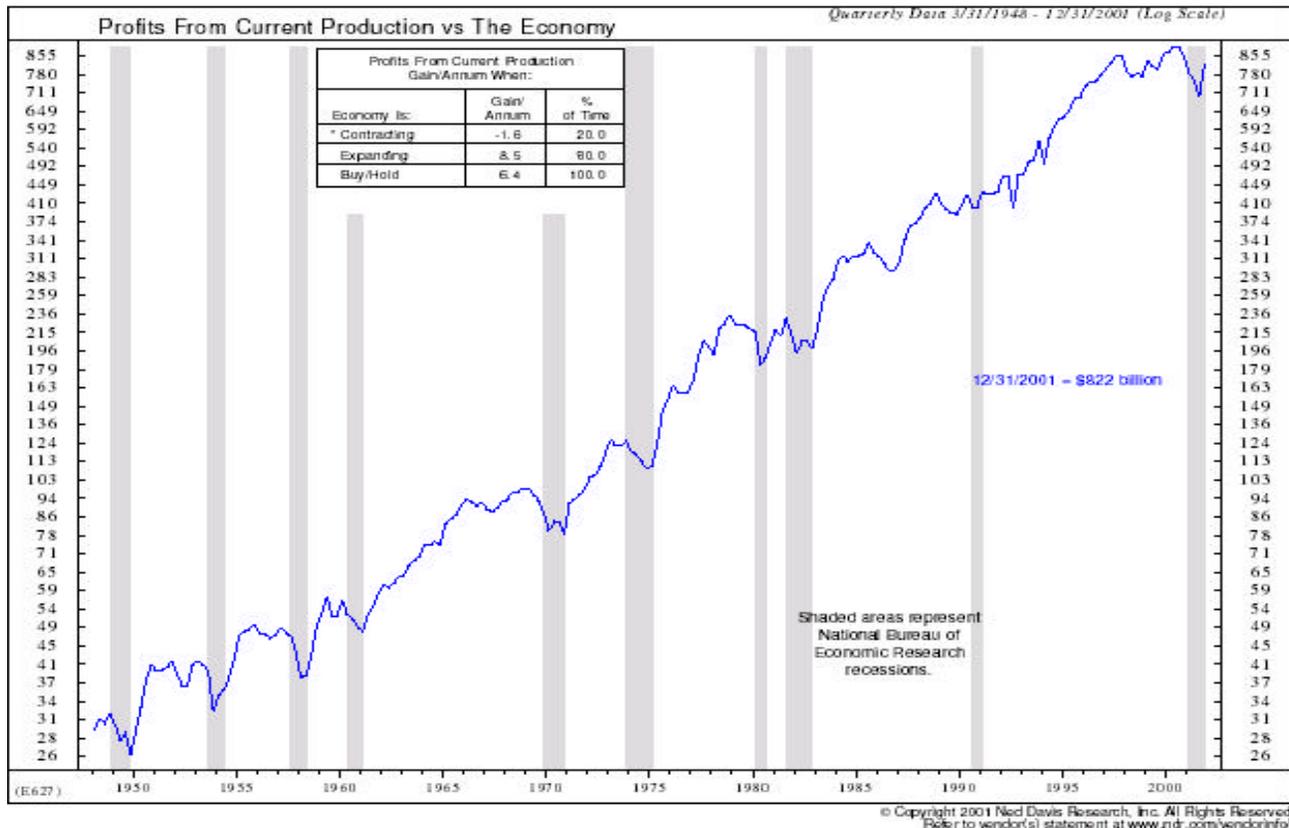
My goodness! Louis Rukeyser fired? Well, that, as you probably have read, is exactly what happened. The Rukeyser show, "Wall \$treet Week," has been produced by Maryland Public Television with "Ruk" for 32 years. Despite a viewership of three million on Friday nights, the heads at Maryland Public Television decided it could (read should) be improved to appeal to a younger generation. However, since his audience has remained stable for many years, and since some older viewers die each year, he must have been picking up younger viewers in order to maintain the stability of viewership level, although it is conceivable that all he was gaining were more older viewers. What the MPT heads really wanted was to increase the number of viewers, but it's hard to see how that could be accomplished without the host that got them there in the first place. All of this looks like that Coca-Cola decision a few years ago to change the Coke line-up. That backfired in a big way, and the same thing is happening with this ill-timed decision. Those who watched the first ex-Rukeyser show got to look at Marshall Loeb, a former *Fortune Magazine* editor, who at 72 is three years senior to the old man he was replacing. Go figure.

Despite the criticism, Rukeyser was a pioneer who created the first and most popular stocks-on-the-box show. While we often watched the show, and certainly enjoyed his caustic wit and deadpan countenance, it was usually to hear from a special guest, such as Ned Davis, Steve Leuthold or Abby Joseph Cohen. It had been Perk's goal for years to be a guest on the show, but alas, that never happened and now never will. But the show has been salvaged and was aired April 19 on CNBC, the NBC cable financial news network, as "Louis Rukeyser's Wall Street," all of which is making life very difficult for PBS, since that is the same 7:30 Friday night time slot that he occupied for all those years on PBS. And so, in the end, what goes around comes around. We think the old Wall \$treet Week really will be relabeled as "Wall \$treet Weak." For our part, we will watch Rukeyser on CNBC.

### THE "W" REVISITED

In our January letter, we discussed the possibility of a W recession recovery profile or a so-called "double dip." Since then we have seen and heard a lot of discussion about this prognostication, most of it suggesting that we are wrong in our assessment. For example, the analysts at the International Strategy and Investment Group (ISI) have been predicting a stronger, larger recovery with real GDP growth of 4% plus in 2002. Ed Hyman and Nancy Lazar, principals of the firm, have been right many times in the past, and we think they may be this time as well, but only as regards the first leg of the W.

Steve Leuthold and his crew have studied the subject and concluded that they could only find one example of a true double dip recession (or W), the 1969-70 recession, where there was a minor recovery (only two consecutive quarters of GDP growth), and then falling back for one quarter before taking off on the upside. To clarify our position, we ask you to look at the Ned Davis chart shown here in which recessions are delineated as shaded areas. If you look closely, you can see the 1969-70 situation which Steve Leuthold

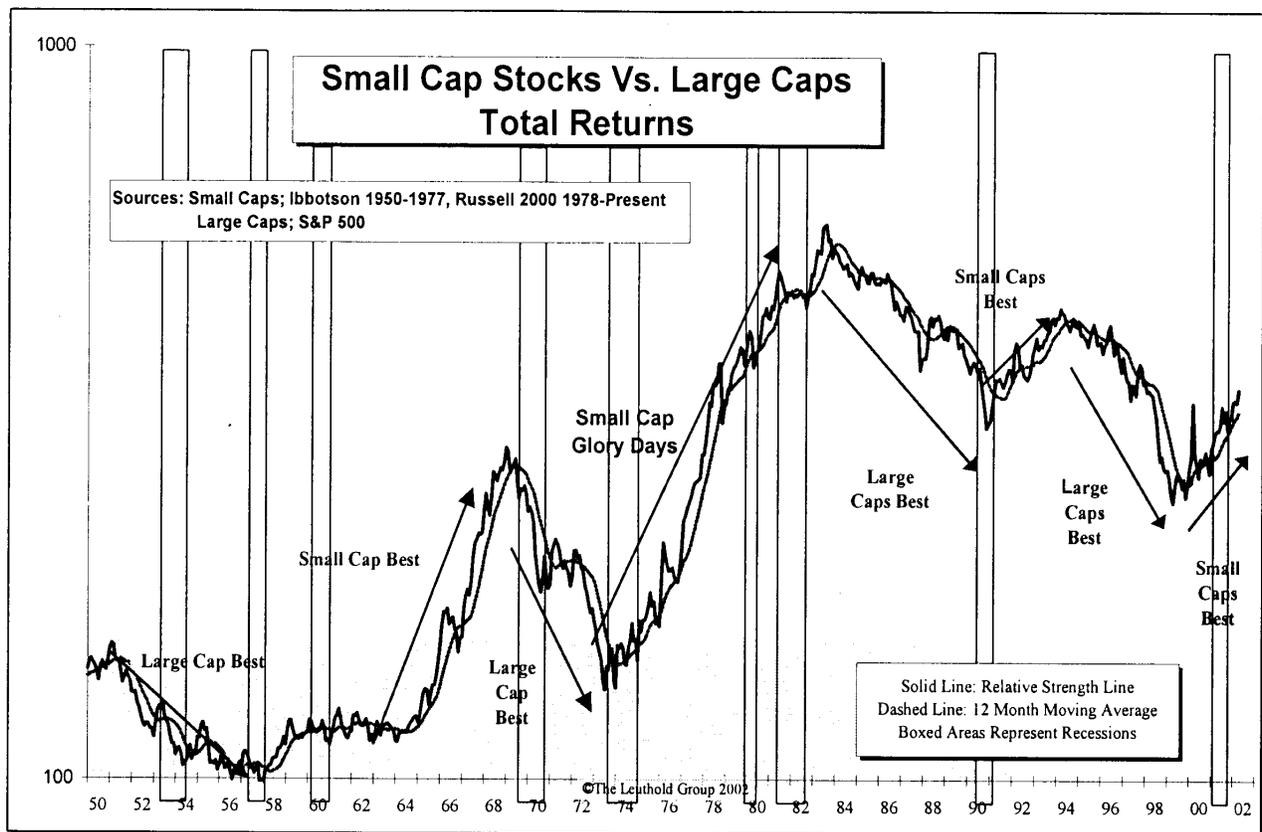


is talking about. But we were thinking of the 1979-80 and 1981-82 periods, where the economy recovered sharply from the 1980 bottom, only to fall back again in 1982, albeit to a "higher low," but nevertheless, another recession. Steve Leuthold says "Some double dip or W profile recession advocates might also cite the 1980-81 experience; however, the two-quarter economic expansion including the fourth quarter of 1980 and the first quarter of 1981 was officially labeled as economic expansion by the NBER, not a temporary interruption of a recession." That's fine, but a label by the NBER won't change the fact that there were two recoveries and two recessions within a four-year period. As we said in our "Economic Alphabet Soup" paragraph in January, the NBER labels leave a lot to be desired, and so we won't pay a lot of attention to them. Dr. Albert Wojnilower, once an economist at First Boston Corporation, believes that by fall the economy will be slowing again unless consumption or capital spending embarks on a renewed surge. As we pointed out in our January letter, we think the consumer has been influenced a great deal by the ever present sales which took place after the September 11 disaster, and have taken special advantage of the 0% auto financing, thus stealing auto sales from future periods. Likewise, there is still excess capacity in the manufacturing sector and the much

anticipated rebound in Telecom remains elusive. Dr. Wojnilower's views are also at odds with the prevailing financial community prediction, which holds that as with earlier business recoveries, growth will accelerate in the second half, implying a return to boom conditions in 2003. He does not agree with the prevailing view and we are in his camp. In other words, we are not going to change our minds about the possibility of a W. In the end we may be wrong, but this is still the way we see it now.

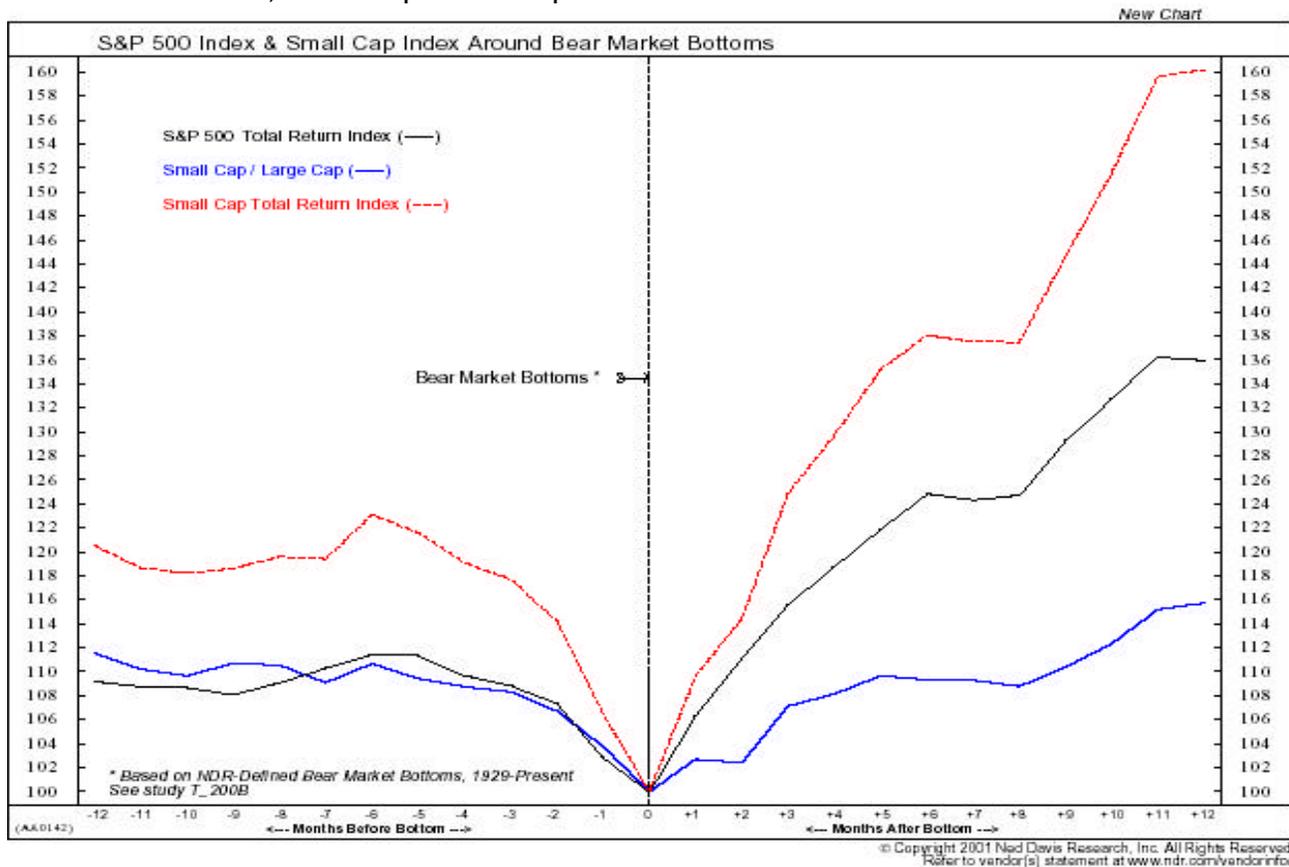
### THE MAIN THING

The main thing, it has been said, is to never forget the main thing. For us at PCM, the main thing is to find stocks that have the potential to rise and to avoid those that are unlikely to go up or that will decline. The main thing is also to have more of the former than the latter and to keep the winners as long as they are winners and to sell the losers as soon as they are recognized as such. In other words, let your profits run, but take your losses early. In a bull market such as the recent one, it was easy to make money--just buy Internet or Telecom stocks and watch them run. But now that game is over, and as we have pointed out many times in past letters, overvaluation ultimately leads to undervaluation and vice versa. Today, despite the market decline since the spring of 2000, many stocks are still overvalued. Our favorite overvalued large-cap stock has been General Electric, which we first labeled as overvalued in our January 1998 letter, and reviewed again in October 1999, April 2000, and July 2001, each time with the same



Source: The Leuthold Group

conclusion. Now General Electric has finally come down to a more reasonable value by falling from 60 to 34 since mid-2000, but in our opinion to be fairly valued it would sell at a 15 P/E ratio or about 25 based on 2002 estimated earnings, and to be undervalued it would sell at a 12 P/E ratio or about 20 based on those 2002 earnings. And there are others, such as Automatic Data Systems in the software arena, or Kohl's, the rapidly growing retailer. But while the Nifty Fifty of this current time were becoming overvalued, starting in about 1995 and culminating in 2000, another group was on its way to undervaluation. Yes, you guessed it--small-cap stocks. The chart on the previous page of small-caps vs. large-caps clearly shows the periods where small-cap stocks have outperformed large-caps over the past 50 plus years. One period in the past (coming out of the 1974 recession bottom) was clearly the best and is labeled as "small-cap glory days." Looking at the chart, it is also evident that small-caps do better coming out of a recession and this has been a fact that we have known and discussed before. A Ned Davis research chart shown below reiterates that point and shows the average gains of small-, mid-, and large-cap stocks from a recession bottom to months in the future. The conclusion is clear; small-caps are the place to be now.



This same information for large- and small-cap stocks is also shown in tabular form on page six where it can be seen that three, six, and twelve months after the end of a recession the average gain of small-caps is about two times that of large-caps. Of course, you know where all this is leading, namely that the market segments to emphasize are the micro-, small- and mid-caps and definitely not large-caps. Now having said that, there obviously is more to it than throwing a dart at a page full of small-cap names. Research,

management meetings, chart analysis and good judgment are required to select those stocks that can do best. This is not easy, but in the end, hard work will result in good stock selection.

Recession Ends	Large Cap And Small Cap Stock Performance From End Of Recessions					
	Stock Performance 3 Months Later		Stock Performance 6 Months Later		Stock Performance 12 Months Later	
	Large	Small	Large	Small	Large	Small
05-54	3%	9%	18%	24%	34%	51%
04-58	10%	12%	19%	29%	34%	53%
02-61	6%	12%	9%	8%	14%	18%
11-70	12%	28%	16%	30%	11%	12%
03-75	15%	21%	3%	9%	28%	58%
07-80	6%	14%	9%	21%	13%	45%
11-82	8%	15%	20%	42%	25%	44%
03-91	0%	-1%	5%	6%	11%	27%
11-01	-3%	2%	--	--	--	--
Average	+6%	+13%	+12%	+21%	+21%	+39%

Source: The Leuthold Group

### THE AVERAGE STOCK VS. THE STOCK AVERAGES

Seeing the Dow Jones Industrial Average tumble over 200 points on April 11 because of a 5 point decline in IBM, and a 3.5 point decline in GE, reminded us that it has been a while since we talked about the stock averages. Our readers should know by now that the Dow Jones Industrial Average is an unweighted average of 30 large companies, where each stock is given an equal weight regardless of market capitalization. Its ups and downs can be very misleading, because a severe decline or big rise in one or two component stocks can cause it to move dramatically. The reason for this is its construction, where the price of all 30 stocks are added up and then divided by a divisor, which has changed dramatically over time. At the very beginning it was 30, but because of stock splits, dividends, and substitutions within the average, it is now not a divisor, but rather a multiplier, and stands today at .14452124. The S&P 500, on the other hand, is a weighted average, but it too can be misleading. Today it carries a large weight, almost 21%, in technology or telecommunication stocks which have been and still are in the toilet. The chart accompanying this paragraph shows the NYSE Composite Index and NYSE Common Stock Breadth, commonly referred to as an advance decline line. As the top began to form in mid-1998 and as it continued into 2000, the advance decline line began to falter and actually declined from there until mid-to-late 2001. What this means is that the average stock was doing worse than the market average. But now the advance decline line has just made a higher high, the first sign of an improvement in the overall market. Today, therefore, the average stock is doing better than the market averages. The conclusion is that while we always need to look at the big picture, often we need to look

beyond or within the big picture to see what the real trends are. And so, while the two main market averages, the DJIA and the S&P 500, may not be going anywhere, the fact is that many stocks are going up and will continue to rise.

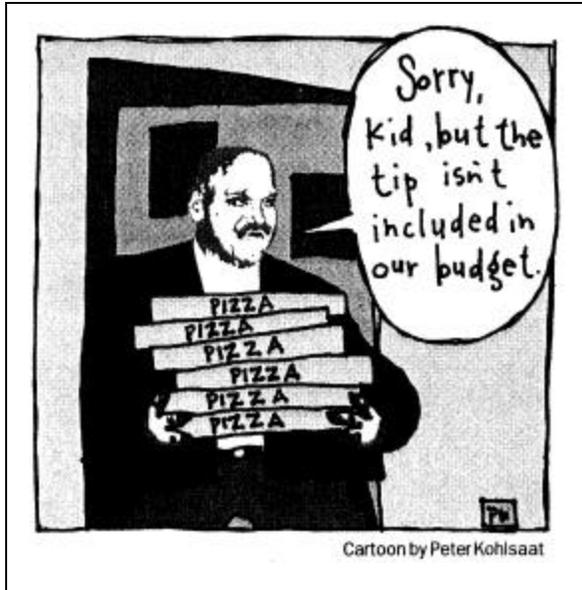


### OUR IRRELEVANT GOVERNOR

The industry trade magazine *Electronic Media* has, for many years, surveyed television critics for their views on the best and worst television programming. But this year it added a survey on what TV "insiders" think of the small circle of talking heads which populate the talk shows, Nightline, Sunday morning news shows, and other similar programs. At the top of the list titled "Most Irrelevant" was the one and only Jesse Jackson. But believe it or not, another Jesse, our own Jesse Ventura, received enough votes to come in second to Jackson. We had always thought of Jesse V. as irreverent, so to also be irrelevant is a real doubleheader! Jesse has been big in the news here in Minnesota. His approval rating has dropped to 43%, an all time low. And no wonder. He got into a brouhaha with the Legislature over budget cuts, and so he vetoed the budget agreement reached by the House and Senate majorities. His veto was overridden, and in fact, his vetoes have been overridden three times in his term, which is more than the overrides all Minnesota governors were handed in the last sixty years. Out of spite, he then decided to close the governor's mansion to show the legislators how he could save some dollars, but he was

shot down on that too, when the Senate approved an amendment requiring the governor's mansion to stay open for tours and special meetings. Jesse had said that for meetings he would "order out for pizza or Chinese." The cartoon speaks to that comment.

Jesse continues to play cat and mouse with the press (jackals), and all of his supporters (we are surprised there are any left) over whether he will run for re-election or whether he won't. First Lady Terry Ventura says if it were up to her, she would be packing in December. And he says he will run - maybe - unless he gets a better offer. He has until



mid-July to decide. And meanwhile, he continues to use his radio talk show in ways that irk the Republican and the Democratic Farm Labor candidates who insist that he be taken off the air since he is using his talk show for political purposes. But, according to the rules, he does not have to give up his talk show until he actually files as a candidate. He also continues to irk his opponents by continuing his extracurricular activities. Besides his talk show, he continues to referee professional wrestling matches, and promote his books. He is no longer a commentator for the XFL football league, since it is now defunct. We've always wondered whether he had anything to do with its demise. Well, anyway, never a dull moment in VenturaLand.

## THE GREAT ETHANOL DEBATE

We don't want to come across as anti-farmer, but there is something radically wrong with the proposed increase in the use of ethanol (ethyl alcohol made from corn). Here in Minnesota we are very familiar with ethanol, because gas stations are required to sell an ethanol blend to encourage its production in Minnesota, where there are now 14 facilities producing an estimated 250 million gallons a year on the way to an estimated 300 million gallons next year. Many of these facilities have expansion plans, and there are new plants on the horizon. As a result, farmers are seeing higher corn prices, communities are producing new jobs, and the do-gooders in the state feel they are doing something to help the country since they are producing an environmentally clean and renewable fuel. This all sounds wonderful, but the fact is, according to David Pimentel of Cornell University, it takes more energy to produce ethanol than there is in it. The table on page nine shows that the energy used to make 1,000 liters is 70% greater than the energy that comes out of it, and thus there is a significant net energy loss. The Daschle-Bingaman energy bill, now in Congress, would triple the amount of ethanol we must use, and would ban the use of MTBE (methyl tertiary-butyl ether) its only competitor. This bill mandates that ethanol use must grow from 1.7 billion gallons this year to 5 billion gallons by 2012, ten years hence. There are other problems with this plan besides the obvious excess cost. First and

foremost, ethanol could not compete with gasoline if not for the 53-cents-a-gallon gas credit to the producers, not to mention the subsidies given to farmers. The second big issue is banning MTBE, which today is 3% of the U.S. supply of fuel, and replacing it with ethanol, which is only 1%. How can you replace 3% with 1% without creating shortages and higher prices? Good question, with an obvious answer--you can't. The next problem is transportation. Ethanol cannot go through a pipeline because, unlike MTBE, which can be mixed with gas and sent through a pipeline, ethanol can't, because it will separate from

### The High Cost Of Ethanol

Congress wants to mandate more use of ethanol — a corn-based form of alcohol — to make cars burn cleaner. But as the data show, it's largely a waste of money. Below is what it costs — in inputs, energy and money — to make 1,000 liters of ethanol vs. how much energy 1,000 liters of ethanol yields

Inputs	Weight (kg)	Energy (kcal in thousands)	Cost (per thousand liters)
Corn	2,600	3,408	\$280
Transport of corn	2,600	312	32
Water	160,000	90	20
Stainless steel	6	89	10
Steel	12	139	10
Cement	32	60	10
Coal	660	4,617	40
Pollution control costs			60
<b>Total energy used to make 1,000 liters of ethanol</b>		<b>8,720</b>	<b>\$462</b>
<b>Total energy in 1,000 liters of ethanol</b>		<b>5,130</b>	
<b>Net energy loss</b>		<b>3,590</b>	

Source: "The Limits of Biomass Utilization" by David Pimentel

the gas. And this problem adds further to its cost, which is why you see ethanol being shipped around the country in tanker trucks, making transportation very expensive. And as we said earlier, both the raw material and the end product are subsidized. So here is another bureaucratic boondoggle that is trying to make a virtue out of a vice.

### PASSINGS

Sadly, the first quarter of 2002 has witnessed the deaths of many famous people. Norma Deloris Egstrom of Jamestown, North Dakota died at age 81 on January 21. We all knew her as Peggy Lee, who sang with the Benny Goodman band beginning in 1941, when she replaced Helen Forrest, another of Perk's favorite singers of that swing era, who left Goodman to sing with Artie Shaw. Her sultry, misty voice made her famous, and her rendition of "Why Don't You Do Right" really put her on the map:

*You had plenty of money nineteen twen'y-two  
 You let other women make a fool of you  
 Why don't you do right  
 Like some other men do?  
 Get out of here and get me some money, too.*

In February, the world lost Chuck Jones, the animator who brought to life characters like Bugs Bunny, Daffy Duck, Elmer Fudd, Road Runner, Wile E. Coyote, Pepe Le Pew, and many others. It boggles the mind to think of the kids, and adults, whom he made happy over his long career. "Beep beep."

As a Washington Post editor pointed out, the Grim Reaper kicked into overdrive the last week in March, taking away Milton Berle, Dudley Moore, and Billy Wilder, all on March 27. "Uncle Miltie" was 93, and although he has left us, he left us laughing because our sadness gave way to laughter as we watched the old TV clips on shows which eulogized him the day after his death. It is said that he was the father of television as people went out to buy television sets, a relatively new device at the time, just to watch him. "Texaco Star Theater" garnered an 80% market share of watchers when Uncle Miltie was on. Dudley Moore was only 66, but had been in ill health for some time. There were many great Moore movies, but he was made into a star by director Blake Edwards when he played opposite Bo Derek in "10." He then went on to make "Arthur" and many others. Billy Wilder, age 95, had made 25 films in his long career, including "Double Indemnity," "The Lost Weekend" and "Sunset Boulevard." The list of his films that we all enjoyed is endless and makes us want to buy them just to reminisce as to how it was 50 years ago.

Then, on March 30, Britain's beloved Queen Mother Elizabeth (Queen Mum), died at age 101, seven weeks after the death of her daughter, Princess Margaret, at age 71. She had been a symbol of Britain's "decency and courage" and was loved by "people of all ages and backgrounds," is how Tony Blair put it. During the war she was urged to flee to Canada for her safety, but she would not, and instead, endeared herself to her subjects by enduring the blitz with them, striding over the rubble and visiting their shattered homes and bomb shelters. She improved British morale so much that Adolf Hitler called her the most dangerous woman in Europe. When King George died in 1952, she became a widow at age 51, putting her daughter on the throne. Instead of retiring, she carved out a new role for herself as the Queen Mother, Great Britain's favorite grandmother. She endeared herself to a new generation of Brits with her strong vitality, good humor, and her love for a good drink.

### **BO PERKINS**

Those of you who have been to the PCM offices in Wayzata have probably met Bo, Perk's black lab, who occasionally spends his day in the office working. Bo does a pretty good job around the office, barking smartly at new and unknown delivery people, but so far he has only taken a bite out of Harry Lindberg for touching a sore spot. He always says "hello" to visitors such as the company managements who come to see us frequently. If asked, he will shake hands and always enjoys a compliment and a pat on the head. Since at these meetings there is the ritual of passing out business cards, we thought it appropriate that Bo should have his own, and we have reproduced it for you to see at the end of this letter just in case you aren't able to get to the office to get one. Now all that remains is to teach him how to hand it out on his own.

There were other subjects that we had thought about including in this letter, one of them being the Israeli/Palestinian situation--the suicide or homicide bombers, and all. But on further thought, we decided against it because we are being bombarded daily in the press and on the television with this very sad and difficult situation. As you all know, we read a great deal, and one of the things we came across recently at the end of one of Richard Russell's daily remarks was an article from the March 25 *National Review* magazine. At the risk of being criticized, we are reprinting it as our addendum this month. The author, Victor Davis Hanson, most recently wrote the book "Carnage and Culture: Landmark Battles in the Rise of Western Power" in which he advances a provocative thesis about the reasons for Western global dominance.

May peace be with you.

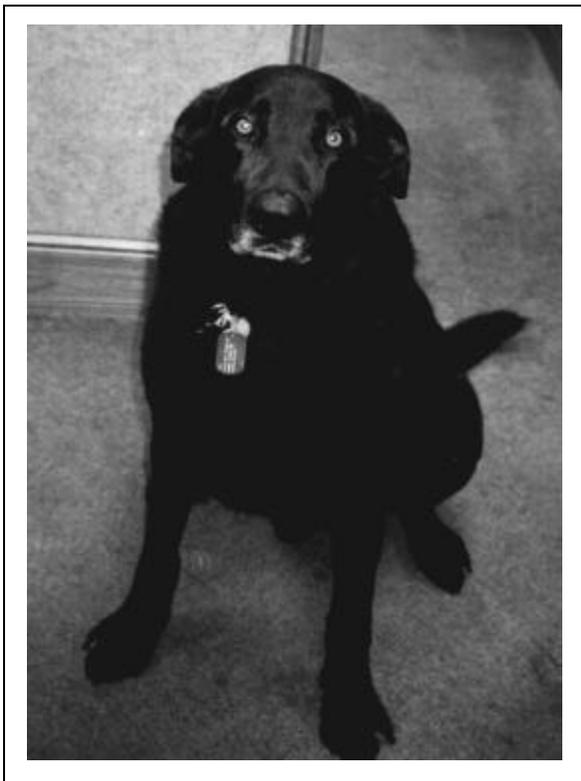
Sincerely,

Richard W. Perkins, C.F.A.  
 President  
 Senior Portfolio Manager

Daniel S. Perkins, C.F.A.  
 Vice President  
 Portfolio Manager

Richard C. Perkins, C.F.A.  
 Vice President  
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RWP:DSP:RCP/jah



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# Victor Davis Hanson

March 25, 2002

## The 1930s, Again

A hard rain is going to fall.

In some ways in our war against the terrorists we are like the democracies of the late 1930s. They knew that there was more to Hitler than his avowed quest for the return of the Sudetenland or the Alsace-Lorraine. They sort of suspected that an entire, venerable culture in Germany and Japan had gone off the deep end. And while there was a certain logic to Hitler's diatribes that a moralistic England had no more right to distant India than did Germany to nearby Danzig, most deep-down knew that such parlor-game banter simply masked a much larger dilemma — how to corral a very powerful dictatorship and its axis that wished dominance not coexistence, and whose fuel was brutal force and autocracy, not democracy and freedom.

For England, most of Western Europe, and the United States, reeling under recent economic depression and hardly recovered from the sheer horror of the First World War — carnage unlike any in the long history of warfare — the idea of forceful resistance was little short of insanity. Filmstrips of German Panzers, thousands of Japanese shouting "*Banzai!*," and even Mussolini's comically delivered, but hateful rants overwhelmed the senses.

How could one stop such madness? And might it just go away with proper diplomacy? And why did "militarists" in the West insist on rearming and thereby "provoking" war? And was not there some truth to German grievances and Japanese hurts? And did anyone really wish to risk millions of innocent Americans and British to kill equally innocent, although perhaps mesmerized, Germans? Who was stirring up such animosity?

We are in a similar dilemma — in our hesitation about Iraq, our pressure on Israel, and our worries about mission creep in pursuing the killers. Can't the Jews and Arabs just get along? If Israel would just give back all of the West Bank, wouldn't there be peace? Didn't we just fight in the Gulf a mere decade ago? How do we know that Saddam Hussein really has such dreadful weapons? Shouldn't our allies get involved too? Do these undemocratic Muslim countries really dislike us all that much? Who can trust polls anyway? Why are these saber-rattlers trying to get us into a war?

And so we Americans, like those 70 years ago who so wanted a perpetual peace, pray for a return of sanity in the Middle East. We chose to ignore horrific stories of Wahhabism in Saudi Arabia — the embryo of 9/11. We are more amused than shocked that *madrassas* have taught a generation to hate us. When mullahs in Iran speak of destroying Israel we wince, but also shrug. We want to see no real connection between madmen blowing themselves up to kill us in New York and the like-minded doing the same in Tel Aviv. We put our trust in peace with a killer like Mr. Arafat, who packs a gun and whips up volatile crowds in Arabic. All the while, no American statesman has the guts to tell the Arab leadership that statism, tribalism, fundamentalism, gender apartheid, and autocracy — not America, not Israel — make their people poor, angry, and dangerous.

Rather than preparing for what our enemies are preparing for us, we look to gestures of appeasement. Does not the Islamic world appreciate the presence of General Zinni? Do we not give billions to Arab countries? Did we not save Kuwait and Muslims throughout the globe? Who in the Arab world could really think that the murderous Taliban were preferable to the present more enlightened government in Afghanistan? And although Middle Eastern males blew up our planes, people, and monuments, have we not had a national discussion about the evils of profiling those from the Middle East in our airports and stations? Don't Muslims tell their kindred back home how much freer they are in America than in Iraq or Syria?

Like the dashed hopes of the 1930s such faith is not only misplaced, but also dangerous. The efforts of countries like Iraq to acquire nuclear weapons might under the present pressures grow dormant, but they will not cease. A nuclear Pakistan is a tottering military dictatorship away from Armageddon. Bribed autocracies in Jordan and Egypt are allies only in the sense that their unelected leaders promise to jail their nuts and fundamentalists who otherwise might turn on them as well as on us. Polls everywhere in the Middle East reveal not mere anguish, but real enmity toward Americans. Public pronouncements in Iran are not any less hateful than what emanated from Berlin in 1936. Thousands of al Qaeda killers have escaped — and thousands more are angry over the death of the comrades and kin and planning carnage for us as we sleep.

Only a few of us Americans really take the Islamic world at its word — that one in three is reported to think (representing, say, a small number of around 200 million?) that the murder of 3,000 Americans was justified; that two of three believed no Arabs were involved; and that even higher poll numbers reflected real antipathy for the West.

After 30 years of listening to nauseating chanting from Teheran to Islamabad to Nablus, hearing the childish rants about "The Mother of All Battles" and "The Great Satan," and witnessing presidents from Carter to Bush burned in effigy, the ritual torching of the American flag, the misspelled banners of hatred, the thousands of paint-by-the-numbers posters of psychopaths from Khomeini to bin Laden, televised threats that sound as hideous as they are empty, Nazi-inspired anti-Semitism, embassy takeovers, oil boycotts, hijacked planes, cars, and ships, lectures from unelected obese sheiks with long names and gold chains, peacekeepers incinerated in their sleep, murders at the Olympics, bodies dumped on the tarmac of airports, shredded diplomats, madmen in sunglasses in Iraq, Syria, and Libya, demented mullahs and whip-bearing imams in Pakistan, Saudi Arabia, and Iran, continual televised murders of Americans abroad, our towers toppled, our citizens butchered, our planes blown up, hooded Klansmen in Hamas and Hezbollah, killers of al-this and Islamic-that, suicide bombers, shrill turbaned nuts spouting hatred on C-SPAN broadcasts, one day the salvation of Kuwait, the next sanctions against the swallower of Kuwait, the third day fury against the sanctions against the swallower of Kuwait, the fourth day some grievance from 1953, the fifth another from 752 A.D.; and all the time sanctimonious fingerpointing from Middle Eastern academics and journalists who are as bold abroad in insulting us as they are timid and obsequious under dictators at home in keeping silent, I've about had it. No *mas*. The problem is you, not us — you, you, you....

I don't listen any more to the apologies and prevarications of our whiney university Arabists, our equivocators in the state department, and the really tawdry assortment of oil men, D.C. insiders, bought and paid for PR suits, and weapons hucksters. The truth is that a large minority of the Middle Eastern world wishes a war with America that it cannot win — and much of the rest is apparently either indifferent or amused.

So we should stop apologizing, prepare for the worst, hope for the best, and accept this animosity — just as our forefathers once did when faced by similar autocrats and their captive peoples who threatened us in 1941. I don't know about the rest of America, but I am proud that thugs like Khaddafi, murderers like Saddam Hussein, inquisitionists like the mullahs in Iran, criminals in Syria, medieval sheiks in the Gulf, and millions of others who do not vote, do not speak freely, oppress women, and are not tolerant of religious, gender, or ethnic diversity don't like me for being an American. I would find it repugnant if they did.

No, their hatred is a badge of honor, and I would have it no other way. I am tired of the appeasers of the Middle East on our Right who fawn for oil and trade, and those pacifists and multiculturalists on the Left who either do not know, or do not like, what America really is. I'd rather think of all the innocent dead on 9/11 than give a moment more of attention to Mr. Arafat and his bombers.

The truth is that there is a great storm on the horizon, one that will pass — or bring upon us a hard rain the likes of which we have not seen in 60 years. Either we shall say "no more," deal with Iraq, and prepare for a long and hard war against murderers and terrorists — or we will have more and more of what happened on 9/11. History teaches us that certain nations, certain peoples, and certain religions at peculiar periods in their history take a momentary, but deadly leave of their senses — Napoleon's France for most of a decade, the southern states in 1861, Japan in 1931, Germany in 1939, and Russia after World War II. And when they do, they cannot be bribed, apologized to, or sweet-talked — only defeated.

In that context, we see much of a whipped-up Arab world entering this similar period of dangerous unreality. The problem is them and their unelected and unfree regimes, not us — just as it was Hitler, not us; Tojo, not us; Mussolini, not us; and Stalin, not us — just as it always is when unelected maniacs take control and hijack an entire country and culture. We can either step up and stop Islamic fundamentalism, Arab terrorists, and Middle Eastern dictators or we can step back and watch it all continue to grow. If 9/11 was the beginning of a war, then we should remember that wars usually end when one, not both sides, win.

— Victor Davis Hanson, author most recently of [\*Carnage and Culture: Landmark Battles in the Rise of Western Power\*](#).