

deposits for the commercial banks? We find money in the open markets for them.

Q: You mean you already know the investors who buy bank deposits and certificates of deposit and you would know where to go with your commercial paper once it was more competitive? And the banks would lose those buyers of CDs?

A: Exactly. We know the market. Say the banks have to offer deposits at 7 percent now, and we're selling commercial paper for that — and as it is the banks don't make much more than 7 percent on loans, so they're

already tight. On top of this they get a 16.5 percent reserve requirement slapped on them — they'd be out of the running compared to the prices we could offer.

Q: Then the investment banks would get all the desirable corporate borrowers and the desirable government borrowers who, like Electricité de France, borrow through state corporations at top rates. . . and the banks would end up with only the less desirable borrowers, to whom they are already overloaned?

A: Yes, that's it, exactly.

An Apology For Kennedy-Style 'Consensus Politics'?

The Way the World Works:
How Economies Fail and Succeed,
by Jude Wanniski.
Basic Books: New York, 1978.

BOOK REVIEW

Contrary to the best intentions of its author, Jude Wanniski's book will be received in Republican circles as the most sophisticated apology available for Kennedy-style politics in the Republican Party. Much of the voting public is already in on the argument, through the medium of Rep. Jack Kemp (R-N.Y.), an up-and-coming figure in Republican contention. The book is a project by Kemp's chief idea-man, who wants to cut through the turgid nonsense of Republican policymaking and take the country by intellectual storm.

Too bad. After some effort, Wanniski comes back full circle to the old Kennedy formula of "consensus politics," employing a tax-cut gimmick as a main selling item.

The argument, which voters will be hearing more of, is not much to chew on. "No individual can possibly be as wise as the electorate, the consensus, in discerning the preferred tastes of all the individuals who compose the electorate." The only political program possible is that which gives all the individuals as much as possible of what they want. So, Wanniski argues, cut back tax rates to permit individuals to keep more of what they earn. Then they will work harder and produce more, and everyone will be happier. When governments tax too much and take away people's earnings, they become sullen and lazy and produce less, and society goes into crisis.

That, by the way, is Jack Kemp's economic program. Economist Arthur Laffer has a detailed rationalization of the tax program, complete with algebra. Wanniski tries to project it back to Napoleon and the Caesars.

"Greed" for the Gullible

All this means that, according to Wanniski, there is really no such thing as political leadership. He

concludes, "the global electorate is the good shepherd." That implies the truth of the matter namely that he and his friends propose to act like sheep — sniffing out the prejudices of the "electorate" in order to find a "consensus" that they can appeal to. Hence his fascination with Kennedy, the great purveyor of consensus politics. There is not much new to this view of society as a collection of self-acting individuals pursuing individual interest, which becomes undone when government goes against individual interest. Adam Smith, David Hume, Adam Ferguson, and other Scot moralists pushed the idea in the 18th century for the benefit of the suckers. By their own boasts, they specialize in mass manipulation through literary and historical hoaxes. Smith's *Wealth of Nations* is the best-known such fraud, a scurrilous slander against the economic policies of the American Revolution.

What really makes up the basis of economic society? The dissemination of science and technology, the absorption of technology by an educated workforce, elevation of labor's productivity through application of technology to capital investment — in short, command over nature. Political leadership means channeling resources into scientific research and new technology development, and organizing economic activity around the application of such new knowledge. That notion of humanist politics was the subject of a 3,000-year fight, whose high point was the creation of the United States as a republic dedicated to human progress.

Against that notion, the rump of merchant bankers and aristocratic oligarchs fought desperately to maintain the advanced populations as manipulable sheep, with the Scot moralists as leading mercenaries. The cynical fraud of the Kennedy Administration, the pawn of Harold Macmillan, the British General Staff, and British aristocratic families with whom the Kennedys intermarried, was a major success for that project. Through Vietnam and the Cuban missile crisis — projects initiated under British advisement — Kennedy nearly destroyed the United States.

The Crown's Consensus

But the most fundamental form of destruction was the notion of "consensus," i.e., that politics should avoid

debate on real national program requirements and concentrate on sales techniques of the Madison Avenue variety. Whatever "public opinion" — i.e., the printouts of the *New York Times* and *Washington Post* — dictates, the leading politicians of both parties will snuffle after. Nearly twenty years after the start of the Kennedy campaign, there is not a single politician of national standing to emerge yet with the brains and guts to organize a *constituency* on behalf of policies that most of the electorate agrees with! With respect to the great breakthrough of the recent period, the commitment of West Germany, France, Japan, and the Soviet Union to undertake a global development program — which could become the basis for the biggest economic boom the United States has ever had — the leaders of both parties won't touch it. In the main, they spin around every time the *New York Times* and *Washington Post* pull the string and set the day's agenda of "important issues."

What grates, in the case of Wanniski and his colleagues, is that this is the situation they want to get out of. Much more indicative of the author's character than the book under consideration is a recent speech he authored for Rep. Kemp for delivery at the April 30 meeting of Republican leaders at Tidewater. "The Republican Party has to take its show on the road," the speech reads. "Foreign aid has to take different forms. We must advise the world about economic growth and transplant the American dream...a kind of new international economic expansion of trade and commerce and peaceful borders." In a recent column for the *Wall Street Journal*, where he is associate editor of the editorial page, Wanniski denounced the British imperial model, in favor of global extension of the American approach to economics.

Re-education Needed

But there are two great gaps in Wanniski's thinking, whence he stumbles back to the Kennedy "consensus." One is that no one ever educated him, or his generation, on the real humanist origins of the American Republic, including the economic leadership of men like Alexander Hamilton and Henry Carey, history which British slanders have hidden from the American view.

The other is plain, old-fashioned fear. He is afraid to tell the electorate and politicians what they *need* to hear, rather than what they *want* to hear. How can you possibly offend anyone by proposing to cut taxes? an aspiring politician must say to himself, several times a day. "The welfare of nation states is," says Wanniski, "not limited by the degree of political education of the populace. It is limited by the capacity of its politicians and philosophers to understand the wisdom of the people."

The gut of the problem is that Wanniski has an utterly contemptuous view of the American people, that is, assuming that their one great motivating force is after-tax income. America came to exist because great men rallied a population around a notion of progress, not tax cuts. For all the filth of the last decades, that impulse is not dead. One indication we have that it is not dead is that men like Jude Wanniski and Jack Kemp are passionately committed to making America great again. This passion we share, and wish them a speedy recovery from the Kennedy disease.

—David Goldman

U.S. Labor Party National Convention

The Humanist Purpose of America

June 30-July 1, 1978

Friday, June 30 10:00 a.m. to 8:00 p.m.

Keynote: Solving the Machiavellian Problem Today
Lyndon H. LaRouche, Chairman of the U.S. Labor Party

Panel I: The Epistemological Question — Plato vs. Aristotle
Uwe Parpart and Criton Zoakos

Panel II: Destruction of the Body of Knowledge — the Fight after Leibniz
Christopher White and Nancy B. Spannaus

Saturday, July 1 10:00 a.m. to 8:00 p.m.

Panel III: The Dirty Rhodes to Treason
Fernando Quijano and Carol White

Panel IV: The Postwar Battle for the Grand Design
Costas Kalimtgis and Warren Hamerman

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