

Capping a spate of incomplete and inaccurate press reports of former Texas Governor John Connally's address to the Republican Governors' conference was the influential conservative Republican publisher William Loeb's attack against Connally in his New Hampshire daily, The Manchester Union Leader.

In a signed front-page editorial Oct. 14, the New Hampshire newsman ignored Connally's significant proposal for business and labor unity "to ensure the kind of production" the U.S. economy needs. Instead, The Manchester Union Leader took issue with Connally's failure to support protectionism as a cureall for the problems of faltering American industry.

Loeb's misrepresentation of a competent economic solution for the current economic ills of the U.S. prompted U.S. Labor Party Chairman Lyndon H. LaRouche to reply.

## Open Letter To William Loeb Of The Manchester Union Leader:

# Say 'Capitalism,' Not 'Free Enterprise'

by Lyndon LaRouche, Oct. 17

I doubt that you were pleased to find yourself praised, even in a manner of speaking, by that Burke and Hare of contemporary columnism, Evans and Novak. As a gesture towards the citizens of my New Hampshire birthplace, I am dealing with the situation by writing this open letter to you.

I propose, giving you the solid brief to support your action to that effect, that you cause the maximum amount of embarrassment to Evans and Novak and other muddleheaded Fabians by stating as a matter of policy that when you intend to say "capitalism," you do not consider yourself so ashamed of capitalism that you resort to using a Fabian's mushword, "free enterprise."

I propose that the use of the term "free enterprise" as a Fabian mushword for "capitalism" is like the practice of a man so ashamed of being human that instead of avowing "humanity" he proposes himself to be committed to the principle of "two-leggedness."

The analogy is appropriate. "Free enterprise" may include capitalist ownership, but it also includes the practices of John Dillinger, the corner high school drug-pusher, and an adolescent car thief. Similarly, "two-leggedness" includes the foolish chicken fleeing the coop, the morality of some Cretaceous lizards, and a three-legged stool missing one leg.

Apart from the fact that the use of the term "free enterprise" is mush-mouthed silliness, in this case, as often enough otherwise, the use of a foolish word in place of a precise one opens the door to all sorts of nonsense-thinking among those who permit themselves to become habituated to such infantilism. In the present circumstances—U.S. industry in a depression, the dollar collapsing, and no one in Washington minding the store—the use of the term "free enterprise" has practical side effects which are downright unpatriotic. That, as I shall prove, is no exaggeration.

### *Little Men and Small Minds*

Let us look at the use of "free enterprise" with the greatest possible compassion for those who are duped into such usages.

The small businessman, undereducated business executives, and numerous ignorant outside admirers of business success are victims of what B. Spinoza defined as *fictitious knowledge* of capitalism. They see the particular business's success—or failure. They ignorantly imagine that skill and other qualities are essentially determining in causing business success. In brief, since skill and so forth are material to business success, those persons base their judgment on a half truth. They see success in particular, without seeing that a certain kind of environment is indispensable to that success. They thus extrapolate from limited information to cover over their ignorance of the most fundamental facts to be considered. Such "tunnel vision"—such efforts to explain particulars one at a time without taking the whole competently into account—is what Spinoza derided as fictitious knowledge.

Capitalism did not spring into being like mushrooms in a dark, damp cellar. American capitalist development occurred because the collaborators of Benjamin Franklin made an American Revolution for the included purpose of freeing this nation from the economic backwardness, the bucolic economic imbecility which the British monarchy and its apologist Adam Smith proposed to impose upon us. Despite the persisting corruption of our nation by such British agents as traitor Aaron Burr, by Martin Van Buren's puppet Andrew Jackson, and other importations of British subversive influences down to the Fabian Rohatyns, Mondales, Schlesingers, and Buckleys of today, our forefathers established a powerful foundation for the wealth and power of the United States in what was known as the "American System."

The principled distinction between the American System and the British system, against which our forefathers fought the American Revolution and the War of 1812, was summarized in Treasury Secretary Alexander Hamilton's proposals for the establishment of the First National Bank of the United States and in his 1791 *Report on Manufactures*. The basic principle of the American System centered around the fostering of technological progress and the use of the federal government and the

credit of the United States to create the necessary environment for technological progress through expansion of industrial and agricultural production.

The most painful and conclusive proof of the essential role of the United States Bank to individual capitalist enterprise was given by the process leading from the 1828 election of British puppet Andrew Jackson into the 1837 panic. By sabotaging the United States Bank (the Second National Bank) and by turning the nation's credit into the New York financiers tied to London and Amsterdam influence, U.S. industrial progress was aborted, black plantation slavery fostered to British profit, and the credit of the United States was rapidly ruined.

Despite the monetarist (e.g. British) corruption of our economy and national policy which increased from the 1880s onward through and past the establishment of the Federal Reserve System, the commitment to technological progress embedded in our institutions was responsible for the United States' economic progress and for that extraordinary position which we enjoyed in the world prior to the takeover of government by the André Meyer-linked Kennedy family.

Every competent businessman has a certain amount of direct corroboration of that fact. Every businessman fit to be let into his own business premises off a leash knows the paradox of credit. With cheap credit, and only with cheap credit, can business prosper. Yet, if the use of credit leads to disproportionate debt-equity ratios, if debt service grows more rapidly than gross profit, the result is disaster. Every competent manufacturer or farmer knows that credit borrowed must be used essentially to improve per capita output through better applications of more advanced technologies. Otherwise, if credit is used in any other way, the expansion of credit leads to the point that debt service outruns gross profit and even begins to cut into production costs.

The businessman who himself follows proper principles may nonetheless find himself in difficulties because others do not. Local taxes spiral, destroying markets and gouging revenues, all because of wasteful debt service accumulations. High debt-equity ratios in the economy as a whole promote all the evils of monetary crises. Interest rates climb, capital formation and general economic growth rates stagnate or even decline. High priced money moves out of long-term capital into short-term pile-ups, with increasing movement out of productive (and unproductive) employment into speculation. So the spiral goes, until the process of patchwork postponements of general monetary crises no longer succeeds, and again the best managed individual firms may close their doors through the follies of others.

From the beginning of the United States as a constitutional republic, the federal, state, and local governments—especially the federal government—performed two indispensable roles in fostering economic progress. In the area of canals, highways, railroads, and certain other works, the federal government directly intervened. These were needs which—among other considerations—prompted the nation to adopt the constitutional republic as a remedy for the many failures of the confederation. Federal credit has been even more fundamental in its importance.

In no college economics textbook but my own have I seen a competent treatment of the subject of credit.

Understanding credit, and understanding how a republic must control government credit policy and operations, is indispensable to making capitalism work. Without such a proper policy, the individual businessman may be the greatest and most energetic capitalist genius born; he could not succeed.

Hence, the credulous belief in "free enterprise" is indeed a case of fictitious knowledge. Such belief is the credulousness of a little man looking at the isolated particulars of capitalism with the outlook of a small mind.

#### *The ABC of Federal Credit*

As Spinoza's principle of *adequate knowledge* requires, no process can be competently understood, capitalism included, without studying the process as an empirical whole. It is sufficient to consider the most elementary features of capitalist production as a whole to discover all its essential secrets, including the secret of credit.

To understand a capitalist economy one must begin in considering prices, but without, in the initial phases, becoming entangled in the flows of money through financial instruments. If that approach is properly followed, the student quickly develops all the necessary understanding of the ABCs of economics through which to later easily understand the monetary process.

A competent analysis of an economy considers only useful, tangible wealth as real economic output, and relegates services and other non-tangible activities—outputs to the categories of either indirect cost or waste. These real, tangible products are divided into two principal categories of consumption: producer goods and consumer goods. Producer goods are plant, equipment, machinery, materials, and so forth necessary for production. Consumer goods are housing, food, clothing, and so forth, the consumption needed to maintain and reproduce productive labor—or, rather, the households which themselves produce productive labor.

This distinction does not mean that doctors, teachers, engineers, and so forth are not socially necessary. It signifies only that the usefulness of their roles is relatively indirect with respect to production itself. Teachers contribute to producing the productive power of labor, as do doctors and so forth. Engineers contribute to producing the technological capability of industry, agriculture, and so forth, to maintaining and improving the productivity which can be realized per capita in production of tangible product.

Thus, in strict economic analysis, we consider only the incomes of households representing farmers and productive industrial operatives as a direct cost of production. The consumption of other households is accounted properly as part of the indirect social costs of production, to be paid ultimately out of the economy's gross profit—after deducting direct costs.

By applying current direct costs to current total tangible output, we arrive at an application of such total direct costs to total output. Since the direct costs are part of the tangible output, even when mediated through services, it is possible to analyze tangible production as a whole in terms of itself (without prices) in respect to the totalities of direct production costs.

Next, after deducting direct costs from total output, we have gross profit on the whole of tangible output. From

this we must deduct indirect costs. Presuming that the indirect costs have not gobbled up all of the gross profit, we have a residue which is net profit.

In terms of the payment issued into circulation on account of production and paid indirect costs, there is an amount of money in circulation proportional to (not necessarily equal to) the aggregate price of those cost proportions of total production. Thus, on this account, there must be less money put into circulation by production than is required to purchase the total amount produced. This amount must tend to be a greater proportion of total output than is represented by the proportion which is net real profit.

In order to accomplish the circulation of commodities through the economy, two categories of credit are required. One category is that portion of credit required to circulate the commodities for which aggregate means of purchase are generated by payment of costs of production and indirect costs.

The second category is the additional margin of credit required to circulate the margin of total output corresponding to net profit (or, corresponding approximately to net profit segments of real production of tangible output).

Since the combination of productive labor with capital goods, under conditions of advancing technology, must represent profitable production, the issuance of credit for the net-profit margin of total tangible product involves no inherent problem. Provided interest rates are low, credit expansion tied to investment in increased production on a technologically advancing basis results in a slower expansion of debt service than of gross profits and net profits.

This result depends upon what is termed successful realization. Successful realization is determined by both the productive investment of the margin of tangible product corresponding to net profit and, upon adequate rates of technological progress, in the general rate of new investments and reinvestments.

#### *William "Fabian" Buckley*

The main trouble with a large number of Americans is William F.—for Fabian—Buckley, and such auxiliaries as Richard "Fifty-Percenter" Viguerie. Those troubled American citizens labor under the delusion that because Mr. Buckley calls himself a "conservative," he must be a conservative. (Would you buy a wrecked 1956 Pontiac Six at a new Pontiac price because the salesman said it was a new Cadillac?) In fact, Mr. Buckley is a raving Fabian radical, albeit with special complications. Mr. William "I-Smoke-Pot-Offshore" Buckley is a "libertarian," and quite as radical as Willy Brandt, Anthony Wedgwood Benn, François Mitterrand, or Bettino Craxi. The analogies are in no way strained.

The *National Review* itself is an interesting collection, distinctive for its strong aroma of Sidney Hook cast-offs such as Max Eastman and James Burnham. Richard "I-Voted-For-Mondale" Viguerie is by no means the only

raving Fabian radical in the collection. Just as Fabians run the top leadership of the Communist Party, Socialist Workers Party, the Maoists, and what-not through the Institute for Policy Studies, so the Fabians have an operation specially designed to control credulous self-styled conservatives. William Buckley and his aging relics from the faculty cocktail lounge are the most notable British-oriented Fabian agency performing the latter function.

Mr. James R. Schlesinger is a somewhat analogous case. To many conservative Republicans, Schlesinger is a "conservative." As P.T. Barnum said, there's one born every minute. Schlesinger is a wild-eyed social democrat approximately of the Walter Rostow variety, peddling the same Fabian line that old Warburg and his sidekick, Bernard Baruch, peddled from the time they put in the Federal Reserve System and who-knows-how-many other outlandish utopian concoctions. If the *Manchester Union Leader* would only look more closely at the real file of J. Rodney Schlesinger, the source of Schlesinger's current zeal for establishing an Orwellian-Malthusian dictatorship in the United States would be more immediately understood, as well as Schlesinger's affinity for the policies of Robert McNamara, Willy Brandt, Denis Healey, Felix Rohatyn, and "Old Sleepy-Eyes" Mondale.

Leave it to William Fabian Buckley to indulge himself in such Chomskyisms as the "linguistical" substitution of "free enterprise" for "capitalism" and "two-leggedness" for "humanity." If the United States is to recover capitalist prosperity, if individual businesses of merit are to independently thrive, now, as during the first George Washington administration, the Federal government must adopt the "dirigist" policies and means to make this possible. The charge by columnists Evans and Novak, the allegation that "dirigism" is against "free enterprise," is, to any competent student of history, the same slogan raised by traitors working for the British during the last quarter of the 18th century and the first half of the 19th.

Join me in warning citizens against being duped by the Barnums—whether of the pro-Mondale or pro-Buckley varieties. The U.S. dollar is sinking and U.S. basic industry is in collapse-spiral, while our America's age-old enemies in the City of London once again try to establish their hegemony over us. The trouble with the United States is that no one presently is minding the store. If John Connally will move in the direction of defending the nation against a British-designed catastrophe, any sane American will support him in that effort—without necessarily presuming that he should be elected President in 1980. Any candidate who allows petty personal ambition to stand in the way of allying with Connally when Connally is acting for the most vital national interests is a candidate unfit to be nominated in 1980.

I am not pushing Connally for President. I am much better qualified for the position, given the nature of the problems at hand. So far, no one but Connally and I have shown ourselves to be remotely qualified for the job.