The Education Of Jude Wanniski

U.S. Labor Party head LaRouche assesses the GOP's Young Turks

July 5, 1978 — Jude Wanniski, until most recently part of the editorial page of the Wall Street Journal, is a key figure among a promising group of the Republican Party's current generation of "Young Turks." Unless this group, typified by Representative Jack Kemp (R-N.Y.), falls into the pit of Proposition 13, it will probably become an increasingly significant part of the political combinations needed to get the United States through the period into 1985.

Like Jack Kemp and Jude Wanniski themselves, the group is to be described as bright, vigorous, dedicated, and determined to win. Whether they do or do not fall into shallow thinking, or run up into gimmicky and gadgety detours now and again, they are determined to learn and are learning rapidly — sometimes lingering too long in the wrong classrooms. There is a valuable, refreshing quality, a promise about the whole affair.

The group, insofar as I have had direct and efficient indirect access to observing it, has a fierce independence of temperament — which is to be respected as a quality currently lacking around the precincts of the Republican National Committee — and a brevity of concentration span — which must be corrected, lest the group be wiped out in the thousands of ambushes lying along the path it is seeking. As Jude Wanniski emphasizes repeatedly in his current book, they are learning. If they can correct their proclivity for too-short concentration spans and learn the importance of depth of knowledge, this learning process, this disposition for learning, will probably bring them through the hazards toward which they appear to be plunging presently.

In terms of political combinations, the weakness of the group centers around the fact that it has not shown adequate insight into the significance of Eisenhower's Atoms-for-Peace program and such included features of our nation's "Old Boy" elite as Stimson Eisenhower Democrats. The hideous lack of principle shown currently by Brock, Rhodes, and Baker, the incapacities of Gerald Ford, the confusion and ineptitude of the Reagan forces, the dismaying vacillations of John Connally — these obvious problems of the Republican Party are too much in the group's eyes. They tend to throw out the baby with the bath water. They tend therefore toward shallow, populist innovations.

I am disposed to be tough with the group, to the point of infuriating them with my rudeness — as one should be firm with a friend blindly canoeing downriver to Niagara Falls. Matters such as Proposition 13 and the connected implications of the so-called Laffer Curve are exemplary of the issues on which I am uncompromisingly rude, employing such terms as "charlatanry," "lunatic populist gimmicks," and so forth.

At the same time, I strongly encourage forces such as key Eisenhower Republicans and Democrats of the Stimson Eisenhower tradition to recognize the deeper moral virtues of the Young Turks and to act to ensure that these Young Turks develop the depth of knowledge and breadth of concentration spans needed to ensure success in the ongoing learning-process to which the Young Turks are commendably dedicated.

I am not proposing that Representative Jack Kemp's career be held back, so that he might acquire greater experience and maturity before plunging ahead. The weaknesses of the Republican national leadership generally oblige persons such as Kemp to take over in the manner a field-grade officer must sometimes take over from a general who has gone round the bend in a crisis.

Jude Wanniski,
The Way The World Works,
Basic, New York, 1978,
Price: $12.95

The Republican Party has a "lost generation" among the nominal leaders who presently nominally bridge the gap between the Eisenhower period and the new leadership of the 1980s. It is unfortunately necessary to hasten the kicking upstairs of the "lost generation" typified by Brock, Baker, and Rhodes, and to bring the new generation along even before it might be deemed "ready" by ordinary processes of maturation. The destructive effects of Henry A. Kissinger and Richard Viguerie require this otherwise imprudent course of action.

This should be a nonpartisan concern. Republicans who represent the influence of Eisenhower's Atoms-for-Peace, Democrats who represent the tradition
associated with Stimson, and the U.S. Labor Party must view this matter from the vantage-point of nonpartisan national interests. The situation is analogous to the situation in which mature directors of a corporation put 40-year-olds into top positions in a large corporation. Such is done because those appointees have the qualities to succeed, provided they have the guidance of maturity and breadth of concentration span. I am not suggesting Jack Kemp or someone like him for President in 1981. I am thinking immediately of the composition of the U.S. industry-centered elites in the USA will be and my premature death by assassination, the majority of the industry-centered elites in the USA will be sophisticated circles in the United States and abroad, I am committed to my presidency by the summer of 1979. Probably, I shall be selected, however reluctantly by some, as the only visible figure qualified to accomplish a definite task during the 1981-1985 period: to set into motion "Grand Design" policies which ensure the prosperity and security of the United States for at least a century to come. If this is not the case, I shall be at least a decisive factor in determining who is selected to perform that role in the White House. However, barring global catastrophes and my British-coordinated assassination, I shall probably be President from 1981 into 1985.

Then, beginning January 1985, I shall be succeeded in the White House by some leading Young Turk from variously the U.S. Labor Party, the Republican Party or the Democratic Party. During the coming period, into July-August 1983, the combination which determines my election as a possibility (which I, as candidate, must then transform into actuality) will demand a one-term perspective of me, and will also demand arrangements under which the Republican and Democratic parties are internally strengthened, especially in quality of potential presidential candidates, for the 1984 general elections.

The leading force shaping the possibility of my election by the Summer of 1979 will coalesce around mature figures of the first decade and a half of the post-war period. They will not be U.S. Labor Party supporters as such — at least, not in the main — but rather persons who have the depth of understanding which prompts them to see that I am uniquely qualified to do a job that no rival approximates my developed capabilities for that

Wanniski and the LaRouche Presidency

For reasons which tend to escape all but the most sophisticated circles in the United States and abroad, I shall probably be President of the United States from January 1981 through January 1985 . . . unless I am assassinated by forces allied to the British monarchy during the coming period. Barring global catastrophes and my premature death by assassination, the majority of the industry-centered elites in the USA will be committed to my presidency by the summer of 1979. Under conditions so determined, I shall win up to 70 percent of the electorate during the period from autumn 1979 through November 1980, a constituency built around organized labor, minorities, scientists and engineers, and progressive farmers.

Wanniski: Technology, Adam Smith...

On May 16 New Solidarity newspaper published a review of Jude Wanniski's book The Way the World Works by this magazine's Economics editor David Goldman. (Goldman's review was reprinted in our June 20-26 issue, Vol. V, No. 24.) On June 6 Wanniski, then Associate Editor at the Wall Street Journal, replied in a letter that New Solidarity published in its June 16 issue. We reprint it in full here.

Dear Sir:

I eagerly looked forward to David Goldman's review of my new book, "The Way the World Works," and was not disappointed when it appeared in New Solidarity on May 16. Mr. Goldman is not only one of the best informed economists in the country but also a relentless philosopher who somehow manages to breathe life into Marx and Plato where others fail.

He instantly puts his finger on the few differences that remain between Street Journal, but each time he gives me credit for saying more than I do. Yes, New Solidarity is neoplatonist and Wanniski an aristotelian, by which I mean New Solidarity is politically elitist while I am a democrat. But Mr. Goldman's finger pushes me beyond democracy into anarchy with his statement that "according to Wanniski, there is no such thing as political leadership." He would be accurate if he said "according to Wanniski, the philosopher king is not as wise as his people." I in the book, in political leadership insofar as individuals attempt to lead not by their wisdom but via an ability to discern the wisdom of the electorate. I suppose he fairly characterizes me as an advocate of "Kennedy-style" consensus. But I believe one must either be a consensus leader or a coalition leader. Once you go the coalition route as a matter of philosophy, you must be prepared to accept genocide in that limiting case by which the majority coalition can only proceed by extinguishing the dissidents. Yes, I'm for consensus.

Wanniski: Technology, Adam Smith...

Mr. Goldman and I are more in agreement on economics than on politics. This is because I give equally high marks to Adam Smith and Karl Marx, two sides to the same coin in that the one presents an ideal of income growth and the other an ideal of income redistribution. Mr. Goldman, a passionate Marxist, alas has no room in his heart for Smith; a "fraud, a scurrilous slander" is how he describes "Wealth of Nations.

Again this puts a finger on New Solidarity's difference with me. Denying Smith his due leaves Mr.
function. As part of the price for that, they will assent to a three-party system in the United States for the period from 1980 onwards. However, they will demand a strengthening of the quality of the Republican and Democratic parties in return for that arrangement.

In particular, they will demand that forces typified in part by the group associated with Jude Wanniski be part of the policy-combination, and also beneficiaries — as potential leading candidates — for the period beyond 1983.

This will succeed in the following way. Once the constituencies I have identified perceive, say as of January 1980, that I am a credible alternative, those constituencies will treat my candidacy as a serious proposition, such that by the end of spring 1980, 40 to 50 percent of the electorate should already be leaning toward my election, and by August 1980 a clear majority will be committed. The election will be facilitated by arrangements modeled on the placing of Dwight Eisenhower into the presidency in 1953.

This process will soon be prepared by waves of "cultural shocks" which establish the importance of my candidacy — a probability which depends on the world’s avoiding global catastrophes during the summer of 1978. Barring catastrophes, or London-coordinated assassination, by the autumn of this year I shall become a key figure within a "counterpole" of U.S. policy-making, a new kind of "loyal opposition" to the current Administration — an anti-Kennedy variety of "loyal opposition."

As that probable development emerges, the importance of various groupings, including probably the grouping associated with Jude Wanniski, will come into focus.

It is urgent, this year, that that process contribute to shaping both the Congress and the evolution of the composition of the Carter Administration's Executive Branch for the remainder of the present term.

It is from that standpoint that Jude Wanniski’s current book ought to be examined. Any other standpoint would tend to lead into hollow, useless abstractions. The point is not, however, to concentrate on the indicated Republican Young Turks. The point is to use this critical examination of Wanniski’s text as a model for assessing many other groups coming up within both the Republican and Democratic parties. The point is to determine what is required now, to build the sources of future national leadership within those parties, to shape the process of weaving the "Kennedy machine" and similarly undesirable elements from their undeserved positions in political machines and in government.

The "Laffer Curve"

Wanniski’s text largely speaks for itself. In the cat-bird seat afforded by the editorial page of the Wall Street Journal, including access to key political strata, Wanniski developed the correct view that the shapers of recent and current U.S. economic and monetary policy were hopelessly deficient in both foresight and hindsight. Wanniski set out to discover and to learn. Discovery and

...And Consensus Versus Coalition

Goldman in the hopeless position of arguing there is no connection between individual effort and individual reward in the political economy. Well aware that such a position cuts against all human experience, and thus seems foolish when stated plainly, Mr. Goldman uses his finger to push me to a foolish point, saying "Wanniski has an utterly contemptuous view of the American people, that is, assuming that their one great motivating force is after-tax income.’’

Such a belief could not be held by anyone who gives Karl Marx his due, as I believe I have done. I do believe, and say so repeatedly in the book, that individuals work for themselves, and that other things being equal, they will respond with greater effort the greater the reward. But I also insist they work for the collective good, the commonweal, which also means they work for pretax income. My greatest disappointment with Mr. Goldman’s review is that he does not come to grips with the central instrument of my economic analysis, the Laffer Curve. Surely Karl Marx would love the Laffer Curve, which simply posits that there must always be two tax rates that produce the same revenue: Either a high rate on a low-production base, or a low rate on a high-production rate.

The trouble with Mr. Goldman here, I think, is that while he is as passionately committed to making America great as am I, his prescription happens to be different, so he must close his eyes to the theory that produces my prescription. I fully accept his idea that the basis of economic society has much to do with 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, etc. But I believe I, like Marx, would oppose forcing technology upon the citizenry through the illusion of debt finance. New Solidarity steadfastly inveighs against British-style imperialism, to my steadfast applause. But New Solidarity’s prescriptions of new technology for the Third World is based on the same economic theory that led the British to force a new technology (railroads) down the throats of the Indian ryot a century ago, a practice that annoyed Marx no end. Come, come David Goldman and New Solidarity. Admit we would all be happier lower on the Laffer Curve and most of the important remaining differences between us will disappear.

Sincerely,
Jude Wanniski
learning are the key terms to characterizing the book as a whole, characterizing the associated group of Young Turks as a whole.

The most prominent feature of that discovery - and learning process at this moment is ostensibly represented by the so-called "Laffer Curve," which Wanniski attributes largely to the combined influence of 36-year-old Arthur B. Laffer and a 45-year-old Canadian, Robert A. Mundell. Mundell, in my estimate, is less than useless, professionally and epistemologically incompetent in the fields of economics and monetary policy. Laffer is wrong, but clearly brilliant, and has recognized a valid point of fiscal and credit phenomena, while interpreting that evidence in an altogether wrong way. Anyone competent in economics — and there are admittedly few such — is struck by the moral incompatibility of a Laffer and Mundell, the alliance of an active and a dead intellect, the alliance of a promising young intellect and an intellectually stagnant and wrong-headed former patron and teacher of the youthful Laffer. The problem is that Laffer has attempted to interpret his observation by adapting it to a preexisting, "respected" school of economic doctrines.

Laffer's key point is that there are always two tax rates which produce momentarily the same tax revenue. This is factually correct, provided the reasons for such a curious phenomenon are properly adduced. Laffer's secondary point involves the "wedge," the excessive direct and added unaccounted costs introduced between such persons as buyer and seller through unsound growth of bureaucratic procedures and agencies. This latter is correct as a simple matter of fact, but Laffer does not understand the reasons for the phenomenon adequately.

Put simply, if a lower rate of taxation promotes expansion of the tax-base, then the gross tax revenues will be at least equal to a higher rate of taxation which suffocates expansion of the tax base. What Laffer does not understand is that the success of efforts to operate on the "lower branch" of his "Curve" depends on the expansion of per capita wealth effected through high-technology, capital-intensive progress, including high rates of expenditure, including rising real incomes of households of productive operatives, in developing the labor-force at rates anticipating the future advancement of productive technology.

In other words, Laffer has not learned to speak Japanese.

Here, in today's United States, we are flanked by two models of capitalist policy and development. The stagnating U.S. economy is flanked across the Atlantic by a decaying British economy, and across the Pacific, by a Japanese economic miracle. Yet, the economic and related doctrines taught in our universities and worshipped in our Congress and temples of finance are based on emulation of British thinking. Indeed, our admirers of Jean-Baptiste Say, Adam Smith, Keynes, Schacht, Milton Friedman, and other apostles of British ideology have the effrontery, the shamelessness, to argue that their policy-outlook is based on "lessons of experience!"

Japanese policy, based inclusively on the "dirigist" policies of Alexander Hamilton and Henry C. Carey, employ the credit and fiscal resources of the state to create modern industries owned by private entrepreneurial interests, such as the Mitsubishi group. Japanese policy directs the employment of the fiscal and credit resources of the state to the national purpose of rising rates of national real economic growth — not our hoked-up, fictitious parameter of Gross National Product. Japanese policy is based on the Federalist-Whig principle that advances in knowledge are uniquely the source of increases in total and per capita wealth, and that high-technology capital goods and productive methods are the indispensable mediation of advancing knowledge into the forms of increased rates of per capita output of tangible wealth.

The British model rejects the principle of growth, and emphasizes instead "equilibrium models" — i.e., forced stagnation policies. The British models presume a relatively fixed world market for tangible output and concentrate upon extracting increased monetary wealth (to the account of the City of London) through usurious methods derived from ancient Babylonian tax-farming practices.

What the United States requires is a three-fold correction in its fiscal and credit policies.

First, there must be a high basic rate of taxation on income.

Second, there must be accelerated depreciation and amortization tax-exemption credits for all useful forms of tangible improvements in industry, agriculture and infrastructure, combined with a selectively low interest rate for credit to high-technology-oriented capital-intensive investment in effecting useful, tangible improvements in industry, agriculture, and infrastructure.

Third, the basic tax-exemption on household incomes must be raised as rapidly as possible without disruption, eliminating the bulk of the "wedge" problem of which Laffer and Wanniski complain.

The result of these policies, in Laffer's terms of reference, is as follows.

We create a two-tier fiscal and credit system, in which stagnation and nonproductive speculation is taxed at relatively punitive rates, forcing flows of credit and savings into lower-taxed areas of either equity in technology, capital-intensive investment or private credit to investment and hard-commodity trade flows.

We restrict government purchases of goods and services to efficient bulk purchases and eliminate the inefficient, bureaucratic substitution of a welfare worker, etc., for the purchase decisions of individual households.

The fallacy of Laffer's work ought to be clear from this standpoint. Mundell is the symptom of the follies of Laffer. The foolish, eclectic accommodation to British lunacy — "equilibrium models" — defines precisely the point at which Laffer's useful recognition of two phenomena proceeds into the fostering of dangerous "tax-reduction" quackery.

The problem of the USA is not that taxes are too high. Taxes on real income are in fact too high because a rising tax burden falls on a shrinking production basis. To lower taxes without acting simultaneously to expand the tax-base in high-technology production is sheer lunacy, the road to national bankruptcy and aggravated social chaos.

Proposition 13 proponent Jarvis may not intend to be a
racialist, but the effects of his proposals are viciously racialist. Without expanding industry, without increased expenditures for education and housing, the lumpenized and semilumpenized minorities and others in that condition are going to be either a growing welfare problem or the raw material for a Dionysian horde of social chaos. The fact that some exponents of Laffer's work do not recognize the lunatic charlatry of Jarvis's Proposition 13 is symptomatic of the follies of Laffer himself.

Properly speaking, the United States ought to be the most enthusiastic allies of Prime Minister Fukuda and Chancellor Helmut Schmidt. Japan can not survive without an expansion of high-technology exports. West Germany depends on approximately 30 percent export ratios of high-technology tangible goods to prevent the economy and nation from plunging into chaos. The United States can not recover from the current world depression without an expansion of exports of high-technology goods in the order of at least $100 billion annually. Without expansion of these national economies, we are on the track toward the worst depression in history, and virtually inevitable total thermonuclear war. This requires massive export-credits, especially export credits to Third World countries, without which the world market cannot be expanded sufficiently to avert chaos.

Any version of "economic equilibrium" doctrines is criminal lunacy. It is that aspect of Laffer's thinking, the overlap of Laffer and Mundell, which leads into the wild charlatanry of supporting the confused Mr. Jarvis. The key enemies of the United States are the "environmentalists" and the supporters of the present policies of the International Monetary Fund, World Bank, and "Brandt Commission." We must put our citizens back to work in expanding numbers of high-technology, capital-intensive jobs, an expansion which depends upon cooperation with allies, such as Japan, France, West Germany, Italy, to vastly expand Third World markets for high-technology imports. The "environmentalists" and the supporters of Witteveen, McNamara, and Willy Brandt are in effect the enemies of the United States in particular and of the human race in general.

We must shape our national fiscal and credit policies to the indicated purpose. In consequence of such new policies, tax rates on productive investments and basic household incomes will fall while tax-revenues increase. What Laffer desires can be accomplished, but only if one adopts a tactical approach exactly opposite to that Laffer and his associates currently propose.

Unless Jude Wanniski and his allies learn this quickly, they are headed toward disaster, to the discrediting and ruining of those promising individuals associated with the Republican Party's Young Turks.

The Indira Gandhi Case

It is exemplary of the folly of Lafferism that Jude Wanniski totally misrepresents the recent electoral defeat of Mrs. Indira Gandhi.

First, Indira Gandhi is probably the only national figure qualified to lead India at this juncture. She was not brought down by her tax policies, but by the association of her son Sanjay with the Ford Foundation-linked programs of forced sterilization. This problematic feature of her campaign was intersected with hideous operations run chiefly through various branches of British intelligence, including, notably, collaboration between Peking and the Brandt-linked forces of the Socialist International, plus the emergence of a hideous, fascist movement in India, the RSS. The tax-reduction program was used by forces in an effort to bankrupt the Indian economy — which had recovered under Mrs. Gandhi's continuation of her father's policies — and to halt thus the high-technology development India urgently requires.

There are two principal, contributing features to Wanniski's credulous misrepresentation of simple facts in the Gandhi case. First, immediately obvious in his misrepresentation of the India case, Wanniski permits his enthusiasm for Laffer's tax-reduction gimmickry to outrun his judgment, twisting facts, selecting facts to fit his nostrum.

Second, more profound, Wanniski proceeds from a naive, incompetent, populist misconception of the political process in general. He, and the group of Young Turks associated with him, understand nothing of real politics yet, ignorant of the fact that the road to disaster is paved with what appear to be short-term populist-type tactics.

The problem is outlined in the first chapter of Wanniski's book.

He places the electorate on a linearized plane, and attempts to define politics and economics in terms of a falsely imagined inner, linear sort of innate wisdom in the majority of the electorate. Overall, he is divided in his outlook between an organically Whig perspective respecting the results of politics, and a Benthamite-Rousseauvian misconception of the political process through which such results are to be attained. He adapts toward those Tory influences in this nation which employ the muddled Thomas Jefferson and the traitorous Andrew Jackson as their models of reference. He bends toward Aristotle, Bacon, Hobbes and Locke, in opposition to the wisdom of Plato, the Dudleys, John Milton, Leibniz, and Benjamin Franklin.

The electorate's majority is not intrinsically good. The case of Nazi Germany ought to suffice to illustrate that point. As a former Wehrmacht officer recently emphasized in private conversation, up to the last minute of visible defeat, the majority of the German population did actively support the Nazi regime. The majority of an electorate has almost equal capability for good or evil — just as the large vote for Proposition 13 in California illustrates that fact afresh.

Admittedly, skyrocketing assessments put through under the Brown administration prior to the election did terrorize much of California's population into a panic-stricken vote for the otherwise simply-silly Proposition 13. There were, admittedly, other considerations. Specifically, any sane Californian knows that the administration of Governor Brown is not worth paying for — they threw monkey-wrenches at the State Capitol, and also expressed their estimate of the value of the Carter Administration's past and in-sight performance. However, in their panic, these voters behaved like enraged anarchists, shrieking "mine, mine, mine," with
...no concern for the effect their actions had on the national economy or other vital national interests. They voted like a pack of heteronomic hedonists. They behaved with pure evil in the voting booths.

This is the crucial flaw in the education of Jude Wanniski to date. He does not yet understand politics, but only a kind of populist tactics he confuses for real politics.

In the main, most of the California voters who voted for Proposition 13 are capable of being good. What determines whether they will be good or evil is the essential question of real politics, as any adequately educated person since Plato ought to understand. The majority of the electorate will be virtuous to the extent that the conditions are provided to promote their virtuous impulses over their coexisting evil impulses.

The voters of California have been conditioned for evil by the process unleashed with the election of President John F. Kennedy (most emphatically). The world and the nation are being plunged toward Hell. Marijuana and other features of the hellish drug-culture destroys their children, while evil forces associated with Senator Ted Kennedy and others demand the "decriminalization" of this moral and mental murder of our nation's youth. The moral imbeciles of the "environmentalist" ferment, supported in high places — e.g., James R. Schlesinger — systematically destroy jobs and the prospects of jobs, reducing our nation to accelerated waste and ruin. For this, the population is faced with rising taxation. Naturally, they perceive the present leadership of the Democratic Party and the Republican National Committee as not worth paying for.

Who offers them an alternative? Who demands that the marijuana culture be wiped out? Who offers them an alternative? Who demands that the policies and performance which credibly coincide with those impulses.

What the electorate expresses as its opinion at a given moment is not the basis for shaping national policy. Rather, one must shape policy according to the actual interests of the nation and its posterity, and approach the matter politically to change the opinion of the majority by changing the conditions under which the majority shapes its opinion.

Politics, like science, depends on a few gifted persons for the new discoveries, the scientifically sound problem-solving on which the continued existence of the human species and nations depends. The individual is indeed the well-spring of wisdom. The creative individual is the source of policy. The political process depends on principles derived from the thought of Plato and the Neoplatonics, the lawful creation of an electoral constituency for those policies and practices which conform to the actual needs of the population and its posterity.

If this appears to be a kind of Neoplatonic elitism, it is. The problem is not the existence of Neoplatonic elites as elites, but rather the fact that the majority of persons of society are still depressed to the two lower of the three possible conditions of the human mind. Most members of the population are ignorant of the existence of reason, and are either on the second level, mere understanding — mere logical forms of knowledge — or at the first and lowest level, of inductive thinking, of hedonistically pursuing individual gratifications as much as a hog roots in the soil.

The essence of true politics is uplifting the people toward reason — which is why apostolic Christianity, the Sephardic tradition of Philo, and the Isma'ili tradition associated with Ibn Sina have been the essential subjective well-springs of the superiority of European civilization over barbarisms and Chinese Confucianism. The elite has the task not only of satisfying the material needs of the population and its posterity through appropriate policies, but the more fundamental task of fostering the knowledge and conditions through which people are uplifted toward reason, and in which course the need for a ruling republican elite vanishes accordingly.

I believe that Jude Wanniski and his associates are qualified to master the secrets of Neoplatonism. Hence, I regard Wanniski's book as a report on work-in-progress on his continuing education.

—Lyndon H. LaRouche, Jr.