

CAPITALISM: A PRESERVATION OF FREEDOM

The year was 1990 during the Gorbachev era and the days of “Glasnost” and “Perestroika.” Gorbachev was engaged in his ill-fated and naive attempt to save the unsavable Communist empire by “reforming” what he perceived to be the worst evils of the Communist monstrosity. Among other things, he thought he could introduce a whiff of the free market and a little bit of political freedom to a society that was ignorant of the barest rudiments of the genius of capitalism, and the Communist state would be the better for it.

Unfortunately for Gorbachev, that whiff of freedom was just enough to eventually destroy the Soviet system which was based on terror and total oppression. Jack Anderson, the syndicated columnist, and I took 140 of my newsletter subscribers on a three-week tour of Russia and Ukraine to observe this dramatic and unprecedented history in the making.

Jack and I had dinner in an ill-lit room in one of the first privately-owned restaurants in Moscow, with a small group of men who were in the vanguard of the new, emerging Russia, including two men who had just been elected to the Soviet Parliament. They were bursting with enthusiasm for the new world being created around them as they told us of their dreams for their country. As we huddled around the table in the candle-lit restaurant, I felt like we were in a bad “B” movie, portraying revolutionaries plotting the overthrow of the government. Six months earlier, we would have been in serious danger of being picked up by the KGB.

Productivity had just plummeted as millions of Russians were watching with incredulous wonder the all-night rebroadcasts of the sessions of the new, freely elected parliament and were too tired to go to work the next day. They had seen with their own eyes when a newly elected representative who was a Colonel in the army, tore into a KGB General



in a hearing on state oppression. The general had no choice but to sit there and take it while the nation watched with amazement and wonder.

It quickly became obvious that these enthusiastic, newly minted revolutionaries at our dinner table had no clue about the American free-enterprise, capitalist system. They had been taught all their lives that capitalism only meant the rich grinding the faces of the poor as they exploited them, and they had not been given any reason to doubt that this was so. There wasn't a single basic accounting class in any high school or college in all of the Soviet Union. There was no body of commercial law to protect businesses from a predatory government or organized crime, and there was no patent law to be enforced by a system of independent courts. There was a solid wall of ignorance and inertia in a society that had been hostile to their version of these ideas for many decades. The Soviet people still believed that the only way to get rich was through graft by government officials or by being a member of the rapidly expanding, vicious Russian Mafia, and at this moment of history, in this place, they were probably right.

In their naiveté, they enthusiastically proposed to Jack and me the revolutionary (to them) idea that Russian farmers should be allowed to own their farms as private property. That sounded at first like a great leap forward -- until they explained that, of course, farmers wouldn't be allowed to sell or transfer their property, except by inheritance to their offspring. That meant that if Boris had a farm, he would have to leave it to his kids when he died. "But," I asked, "what if Boris had only one daughter and she was a ballerina with the Kirov Ballet company, and had no interest in farming? What then?" That hadn't occurred to them. They had no clue!

As I listened to these very sincere men who expected us to be blown away by their revolutionary embrace of "capitalism," I realized that they didn't know a thing about the genius of capitalism.

I was to conduct a seminar for my newly found Russian friends in a few days, and I knew I had a monumental task to explain to them just exactly what capitalism was; I had

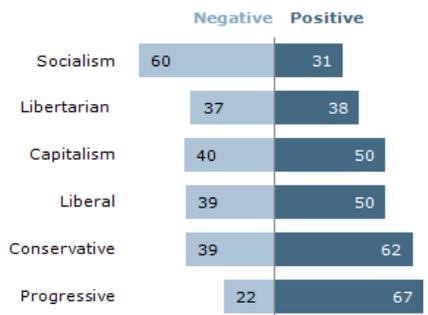


to think it through myself. I was like a goldfish that swims in his tank, never thinking of the chemistry of the water he breathes that keeps him alive; he just breathes. And now, I had to teach a water-chemistry lesson to my new friends who were air breathers.

I remembered a question I asked my dinner companions; “what does Russia need most from the West?” Their quick answer was “capital,” meaning loans from Western banks. I responded, “If you need capital, why don’t you create your own?” Not only was this statement met with looks of incomprehension, I realize I would have gotten the same looks if I had said the same thing to a group of Americans. The average American doesn’t understand the principle of capitalism, even though they dine at the bounteous capitalist table.

Understanding Capitalism

Public’s Views of Political Terms



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I’m constantly appalled at the ignorance of the American people. In December, 2011, the Pew Institute conducted a poll of the public’s views of political terms. Only 31% had a positive view of Socialism, but 67% had a positive view of “Progressivism.” However, “progressive” has become the new name for socialism, which is only one example of ignorance.

Barack Obama has taken us down the path of socialism, perhaps to the point of no return. He knows nothing about capitalism. In fact, his knowledge of economics and free-market government is literally appalling. He spent a few years as a legislator in the corrupt machine that governs Illinois. He spent time as a neighborhood organizer, and only two years in the U.S. Senate, most of which he spent campaigning for the presidency.

I believe in capitalism, which is “the capitalizing of income.” What do I mean by the capitalizing of income? If you had a store and were making shoes, maybe you wanted



to set up a second store, so you would set up a corporation. You raise money by selling people a few shares of the corporation and then use that money to expand the operation.

It is one good way to create real wealth by turning a private business into a public company which value is generally determined by some multiple of profits.

Capitalism turns income into production. A corporation might make a million dollars in revenue with a hundred thousand dollars in profit. In capitalism, the profits are divided among the shareholders.

But capitalists aren't just rich plutocrats who exercise power by virtue of their wealth. To vilify success and the rewards it garners is an assault not just on capitalism but on liberty itself. Nowhere is the political debate over income inequality more detached from reality than the call for the top 1% of American income earners to pay their "fair share."

When we were a true capitalist nation, entrepreneurs could start any business and enjoy the tangible rewards of success or take the knocks of failure. It is diametrically opposed to Obamanomics, which fraudulently promises that you can succeed with no risk of failure, because the government is the Big Kahuna who will save you.

Obamanomics generally appeals to both the college-based intellectuals and the less educated, non-productive bottom layer of American society. Its appeal is based on the false premise that your status in life is not your fault because you are just a victim of the Bad (rich) Guys.

I studied the lives of great men and famous women, and I found that the men and women who got to the top were those who did the jobs they had in hand, with everything they had of energy and enthusiasm and hard work.
~ Harry S. Truman

That is absurd! Obamanomics is against everything that has anything to do with capitalism. They call profits "greed." They want to eliminate all profit and tax all investment returns so we can be pure and free from all kinds of "greed." Capitalism spawned successful companies like **Microsoft, Intel, Apple, Google** to name a few



that provide jobs and benefits for millions of Americans. How can that be bad for the country?

Capitalism is the cornerstone of this great country. We come closer to its demise as the tax burdens and governmental controls choke out the ambitious entrepreneur. It is hard for Widgets, Inc. to become McWidgets in this day and age.

Will capitalism ever rule again? Are we losing our place as the most powerful country on the planet? I hope not, but we are running out of time and money to fight the battles.