

The Supremacy of Democratic Capitalism

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SPEAKERS

Keith



Keith 00:00

We are pleased to provide this text from our podcast. As you know, the spoken word is often less formal and sometimes less precise than a written piece that may be carefully edited. I have also been known to sometimes jumble my words beyond recognition! Please let us know if you have any questions or concerns -- and thank you for supporting "As I SEA It!"

Keith DeGreen



Keith 00:07

Welcome to as I see it. I'm Keith DeGreen, our topic today the supremacy of democratic capitalism. Now, as you probably know, the Chinese Communist Party the CCP rules China, it's above the government in their hierarchy of power, the CCP openly promotes and subsidizes state owned or controlled companies. Now, for example, a few years ago, the Wall Street Journal reported that Huawei Corporation had received as much as \$75 billion in government subsidies from the CCP to become the world's top telecom vendor. Now in China, excuse me, in China, they call these state owned enterprises, their national champions, but they missed the point. You see, in the United States, we have more than 332 million national champions. They're not called corporations, or SOEs, for short, no, they're called citizens. Now, today, I address the supremacy of democratic capitalism. And it starts with this. In the United States, we seek to embrace and protect the fundamental rights of each individual, the right to worship, to speak, to assemble, to travel to try to succeed, to fail, and to try again, we seek to protect those rights, with the most responsive and successful economic and political system ever devised democratic capitalism. In America, democratic capitalism takes the form of a republic, where we as, as citizens, as America's national champions, select those who will represent us in government, and where we, as citizens hire and fire those representatives through our vibrant, non violent political process. At least that's the theory. Now, despite recent trends within our schools and universities, to define us as members of groups, what I call social eugenics, Americans know we know that we are each defined not by the color of our skin, or by our religion, or by our sex, but as Martin Luther King so eloquently put it by the content of our character. Yes, we know. And this is our greatest strength, that we not just Americans, but all

God's children are each a unique, sacred minority of one. In fact, Western civilization and from it, democratic capitalism has brought to the world the highest level of freedom in the history of mankind. It has brought an avalanche of shared knowledge, it has brought the greatest level of wealth ever known to man. And it has cured diseases built great cities, rewarded excellence and provided extraordinary wealth across all classes with which we gladly help those in need. Let's talk about a phrase I really like. We win, they lose. You know, among my most treasured items, I have a photo it's behind me here. Of me and President Ronald Reagan meeting one on one across his resolute desk in the Oval Office. The year was 1988. I was Arizona's Republican candidate for United States Senate at the time. Now I managed to turn my youth and inexperience into a political defeat that year. But I will never forget meeting the man who met the evil empire of the Soviet Union, toe to toe and who against all odds and without firing a single shot. live to see the collapse of that horrible system. Now, let's talk a little bit about communism. Reagan's vision was crystal clear, at a time when the world had accepted a taunt as inevitable. At a time when the world accepted the existence of two utterly incompatible political systems on Earth. Reagan told his advisers he had another plan, and it was this. We win. They lose. We did win. today. We certainly face many external threats. China's Communist Party, Russia's Kleptocracy, Iran's theocracy, North Korea's dictatorship to name just a few. But societies can also perish from within. And today our nation faces many internal challenges as well. So Today, let's explore our amazing heritage, and a few solutions made possible by that heritage. You know, early in his career, President Reagan wrote, freedom is never more than one generation away from extinction. We didn't pass it on to our children in their bloodstream, it must be fought for and protected and handed to them to do the same. It's therefore incumbent on us, especially on us as older Americans, to impress upon our children and grandchildren, the foundations upon which our society is built, to impress upon them, that what we have is a product not just of tremendous sacrifice, but of remarkable good fortune, and a tremendous heritage. It's for us to provide this message that people were not always regarded as unique, sacred minorities of one, that individuals were not always protected as this or any nation's national champions, that they were not always free to pursue their dreams, that we can lose it all, if we're not careful. And that we our society, our America remains mankind's greatest hope for preserving our heritage of individual freedom. Will we succeed? Only if we remember and teach what brought us this far, only if we protect the fundamental principles upon which democratic capitalism and our Republic are based? Now let's take a look at our roots, the miracle of Western progress. How do we get here? How did we arrive at this remarkable point in history? Travel back with me 1000 years. Imagine the year is not 2023 but 1023. What was the wealth back then? Where was progress in full swing? Well, just 1000 years ago, most of Europe was still a backwater of small, fragile, primitive kingdoms. The economic system was feudalism It was purely vertical government, the king then the nobles, their vassals, and then the serfs, everyone served the king. Now a few city states primarily in Italy, Florence, Milan, Venice, Naples, they flourished, not so much from trade with the rest of Europe, but with trade along the Silk Road that had existed since before Christ, and that extended east from those Italian ports through Constantinople, now Istanbul, to the gates of Beijing. While Europeans were busy fighting each other commerce and progress flourished along this Silk Road, cities and empires rose along that road for 2000 years, the best science and the best products, silk, spices, tapestries, gold, silver, mathematics, and so many other items, including minerals poured forth from the dynasties in China, and from the Byzantine, ottoman, and other empires. The Silk Road was the center of wealth, commerce, science and progress on Earth for more than 2000 years, not Europe.

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Keith 08:33

So what changed? What sparked the explosion of science, the arts and commerce in Europe? What destroyed progress within the Empires along the Silk Roads? What held China and the Muslim world back for centuries, despite their early progress, and most important, what ignited the explosion of ideas and commerce, that Europe in Europe that ultimately made its way across the Atlantic to take root in a unique and powerful way in North America? In short, the important question we ask is this, what led to the theories of democratic capitalism and the work ethic that would ultimately drive and protect this the greatest nation on Earth? Now, at the risk of doing a grave injustice to the discipline of history, here's Keith's capsulized account of the rise of Western civilization. First, as is the tendency among all large institutions, the Catholic Church in Europe and the Islamic faith along much of the Silk Road had both become increasingly doctrinaire, and with apologies to my Catholic friends, increasingly oppressive, the oppressive interpretation of Islam along the Silk Road, the commingling of religion and God governance continues to prevail, unfortunately, in many parts of the Muslim world. So it could be said that as we emerge from our dark, dark ages in Europe, many, not all, but many of those who embrace the Islamic faith slipped further into their own dark age, from which many parts of the world have not yet fully recovered. But what held China back for centuries? Well, it may have been the Confucian emphasis on stability. It might also have been, and as a sailing enthusiast, I find this fascinating, it might have been of all things, the exorbitant cost of the unit, Admiral Zheng Hayes, enormous fleet, what? In the 1400s, this massive Chinese fleet had already sailed as far as India and East Africa, and this is in the 1400s. But tragically, the Ming Dynasty destroyed the Fifth Fleet one time when it came back into port, as it rejected all Western influence. Just as many European explorers were beginning to set sail to discover the, quote, new world. So I'd like to explain what I think are the four magic words regarding Western progress, what happened in Europe that launch mankind into the modern age, again, with apologies to professional historians, who I'm sure could nitpick a whole bunch of the basic narrative here, but I think I got the details. The basic themes pretty well, let me offer a complete explanation of our progress in four words, printing press, reformation, and enlightenment. You know, in 1440, Johann Gutenberg invented the printing press. Now at first it was used exclusively to print Bibles. But soon the Protestant reformers use the press to great effect. For the first time, ordinary people who learned to read could enjoy not only the Bible, but also many books and pamphlets that were widely distributed. Ordinary People began to read, they began to read, and the world would never be the same. Meanwhile, the authorities in China largely prohibited the use of printing presses. Why? Well, printing presses were viewed as an affront to China's ancient and proud art of calligraphy. Also, the Imams of Islam viewed the printing press as a direct threat to their political authority. So printing was also suppressed throughout much of the Muslim world. Now, Next came the Reformation. It dates to 1517 when a fella named Martin Luther wrote what were called his 95 theses, also known as the prods Protestant Reformation. During the 1500s reformers like Martin Luther, John Calvin, and even Henry the Eighth, challenged people with papal authority and question not only the Catholic Church's ability to define Christian practice, but also its involvement in government. Now, at the heart of Luthers, writing was a simple premise, that we can each seek a direct relationship with God without the intermediary of the Catholic Church. Now from this concept, arose the idea that the creation of wealth not just for the church and for the king, but for individuals, if used for God's purposes, was noble. It was the birth of the Protestant work ethic. And the Reformation also planted the seeds of the separation of church and state. Now, what happened next, beginning around 1688, was the ultimate political miracle. The European enlightenment, science was elevated to a discipline intended to better understand God's plan, and the concept of horizontal power. Power is spread among the people gained in popularity. Thanks to great thinkers such as John Locke, and David Hume. Locke advanced the theory that governments based on the right of kings were not legitimate. He argued for liberty and equality. David Hume advanced the concept of separation of powers. Incidentally, Hume was a personal friend of his

buddy Ben Franklin, and Franklin helped apply Humes separation of power concept to our own constitution and make no mistake. These were radical ideas because power had always been vertical based on the divine right of kings, while the church drove government policy for more than 1000 years. Now, I contend that those four words printing press reformation and enlightenment were the foundation of democratic capitalism in America. But something else happened beginning around 1760 That enriched mankind and empowered our fledgling democracy beyond words. It was the Industrial Revolution.

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Keith 15:45

Now, let's take a look at the Industrial Revolution and horizontal power. Now at first, the Industrial Revolution was just a conglomerate of shops to supply the British government with guns, ammunition and the true trauma of war. Then, it evolved into enterprises that also provided the first mass produced textiles and finally as diverse massive enterprises to supply goods of all sorts to the world. Now with the explosion of production, came the explosion of wealth across a small but growing cadre of industrialists, merchants and professionals. They saw the need to protect their wealth from the crowd, and from others, and they demanded the laws necessary to do so. And contrary to popular belief, and while living conditions for ordinary people were horrid back then, the standard of living of all strata of society was improved by the Industrial Revolution. The English common law quickly evolved, protect to protect commercial rights, contract law, commercial law, property law, legal traditions that made their way to America with our English settlers. The increased wealth of the Industrial Revolution spread the horizontal nature of power. So as the migration to America began in earnest, and even though the king claimed sovereignty over the New World, pilgrims and settlers brought with them these latest and greatest legal concepts and those electrifying concepts of democracy in 1776, these concepts, these fabulous ideas inspired a 33 year old seeing of wealth and privilege to write, We hold these truths to be self evident, that all men are created equal, that they are endowed by their Creator, incidentally, not by the king, not by the privileged few, but by God, by their Creator with certain unalienable Rights, that among these are life, liberty, and the pursuit of happiness. Yes, Jefferson was a jumble of contradictions. A slave owner who professed freedom, a proponent of the rights of man who enjoyed an aristocratic life as a plantation owner, but also the author of what remains the most transformative political document in history. Then, in 1787, our constitution established our Republican democracy, ultimate power was vested in the people, not just in wealthy and privileged individuals, many of whom wrote that document, not in them, not in a king, but in the people he has. Even the dumb people. For the first time ever, societies elite surrendered their power to the people. Thus, what ultimately became the richest most powerful nation on earth began ironically with an act of surrender, surrender of the exclusive rights of the privileged few to the rights of the many ordained not by a king, but by God. All of this was incredibly radical thinking. And it all culminated in our constitution just 236 years ago. You know, the older I get, the less time that seems to be. It's only a little more than three times longer than I've been around.

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Keith 19:46

Now, the secret sauce, what is the secret sauce that makes capitalism work? There's some great books on this subject. But economically speaking, let's ask that question. What's the secret sauce? What does it need? to really work well, the secret ingredient is and always has been get this widespread land ownership. Yes, private land ownership. You know, a corruption

free system of recording widespread land ownership is absolutely fundamental to successful capitalism. It must be mentioned in any discussion regarding the success of our Republic regarding our system of democratic capitalism. So a lot of democracies around the world today that can't get past that lower or middle level. And usually, it's because people cannot get clear title to land. Why is this so important? When we own clear title to land, we can build on it, we can grow things on it, we can increase its value and leverage that asset by borrowing against it to provide cash for other productive purposes, starting a business perhaps, or for education, etc. With clear title to land and owner can obtain a loan from a distant lender who doesn't even know the borrower. That's huge, because it creates the ultimate liquidity upon which capitalism is built. Clear title to land is all too rare around the world. Even countries dedicated to the principle of democratic capitalism struggle to achieve that end, without a solid system of widespread land ownership. We give too little credit to our early elected leaders in this regard. They developed with great transparency, our system of recorded land ownership, the very foundation of capitalism. You know, as Americans pressed westward, our leaders surveyed and opened a system of townships. And during even the darkest days of our Civil War, the 37th Congress had the incredible foresight to pass the Homestead Act. Under the Act, settlers could claim 40 acres of land, and if they worked it for five years, could claim it as their own. Union Civil War vets needed only two years of working the land. Yes, all this happened to the detriment of Native Americans, no doubt. But one surveyed section at a time, our government opened land for settlement all the way across the continent. Americans came west knowing that our nation's laws and its protections, including its military, followed them into the vast North American continent. What's more, when people own their land justice today, they had skin in the game. They were part of their community. They were the community. They had a stake in the condition of their roads of police and fire protection schools and countless other civic issues. Today, we hear absolutely crazy talk from the left that individual homeownership is not that important. Baloney, homeownership, land ownership is the foundation of our economic system.

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Keith 23:25

Our heritage is based on that. So this is our overall heritage, the printing press, the Reformation, the enlightenment, the work ethic, property rights, human rights, the inspired words of our founders, our belief in God and yet also our separation of church and state, our belief that we are indeed each a unique, sacred minority of one and our fundamental belief that governments derive their just powers solely by the consent of We the People. What a remarkable heritage that is. The roots of modern communism, however, are very important as we measure our ultimate potential for success. Even as America exploded with opportunities in the 1800s as we look back at a dark cloud loomed over much of Europe. As Americans moved westward after the Civil War, and unfair, dangerous and dirty Industrial Revolution continued in Europe. While living standards improved exponentially, from the primitive agrarian lives of their ancestors, workers were subjected to all sorts of hazards. They were paid very little and great wealth was captured by the very few in this environment. If Karl Marx and Frederick Engels had not come on the scene with their sick vision of a communist world, someone else probably would have. But it was Marx, sponsored by the ironically wealthy Engels, who in his 1867 book, *Das Kapital*, gave voice to oppressed workers, even as he tied his message to a really perverted, sick and morally bankrupt political philosophy. His view alive today was that capitalism contained within it the seeds of its own destruction, that what he called the material dialectic, the constant struggle for material things was the exclusive lot and the sole motivation of the masses. And every time capitalism has hit a snag, the financial panics of the late 1800s, the Great Depression of 1929, and the financial crash crisis of 2008. Every time someone has

declared capitalism dead, until it isn't, the communist solution, a communal existence enforced by get this and I use their phrase, a dictatorship of the proletariat. Whatever the hell that means. Marx, Engels, Lenin, Stalin, Mao, the Castro's and now China's xi, have insisted despite all evidence to the contrary, that communism was mankind's ultimate, inevitable and only answer. Incidentally, she is an ardent Marxist. But absolutely without exception, everywhere communism has existed or does exist, it has required and does require a brutal, authoritarian government to maintain its existence. There are no exceptions to that rule. Nobody in their right mind who is not in power willingly chooses to live under communism. They never have, they never will. That's why except for our whacked out college professors, only those who can exploit the totalitarian nature of communism support it. vast fortunes have been made by those in are connected to Communist Politburo's. In other words, as George Orwell succinctly stated, some are more equal than others.

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Keith 27:41

Now let's talk for a moment about America's alleged income inequality as we defend democratic capitalism, income inequality in America really. Now we'll spend more time on America's so called income inequality on future podcasts. But Communism's false promise is equality for all socialism is false promise is that through state ownership of the means of production, workers will be treated better and more fairly. Let me restate that to be clear, communism is false promise is that with the government owning the means of production, everybody will be better off socialism comes false promise is that with the government controlling the means of production, everybody will be better off, and they'll be treated better and we'll all sing Kumbaya and everyone will be fairly compensated. Now you can drive trucks through the tortured logic of these false promises. But that doesn't stop the left from criticizing America's alleged income inequality as proof that we're a broken system. First, the fact is, as we just illustrated with communism, no matter what the political or economic system throughout history, there have always been those who have managed to make lots of money in every type of system. And there have always been those who, even with the opportunity to do better, remain poor. For as Jesus said, in Matthew 26:11, the poor you will always have with you. Now, you might as well have also said the rich you will always have with you. Meanwhile, America's left today claims that the income disparity between the bottom 20% of American workers and the top 20% is something like 60 to one that is patently false. After taxes and transfer payments. That is welfare. The income disparity on average is 3.8 to one from the bottom to the very top. That's all that's all, in fact and American household with \$5,000 per year of earned income can count on an additional \$45,000 per year in welfare and other transfer payments, bringing their income, their disposable income, because they're not paying taxes on this money because they're in that low bracket, they're in there brings their income up to about 50,000, their disposable income to about \$50,000 a year. I'm not kidding. \$50,000 a year, whatever you might think of that policy. It is American capitalism that provides the wealth to make this possible. And how have American workers fared without communism, without socialism? How have they done with within are resilient and responsive democratic republic? How have they fared under democratic capitalism? Well, except for a few tiny bowtique countries, American workers are by far the best paid workers in the world. And their rights and safety are protected by law at every level. That's why today in America, only about 6% of American workers even belong to a union and half of those work for the government. Now, I'm not saying that the American labor movement didn't have a very proud history it did. And it continues potentially to have won. But a lot of those battles have been fought in one. Thanks to our democracy, the legislative goals of the American labor movement had been largely achieved and are protected by law. And a final note on the legacy of communism. To date, in

less than 100 years of its existence. The estimate of persons directly killed by communist regimes, beginning with Lenin through Xi exceeds 110 million people. This doesn't include those who died from malnutrition and lack of basic services in failed socialist states, indeed, who continue to die from such things such as in Cuba, or Venezuela.

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Keith 32:09

Well, I began this podcast by mentioning China's system of national champions. And by reminding us that in the United States, we have more than 332 million national champions citizens whose rights we must protect in this uncertain world. We face many external threats these days. Russia's kleptocracy and aggression are Iran's theocracy, dictatorships in North Korea, and Venezuela, to name a few. But make no mistake, the communist government of China, standing astride the world's second largest economy, and a nation of 1.4 billion people, poses by far the greatest threat to the United States and to the values of Western civilization, perhaps in history. When I look at all this, I'm reminded of that similar impasse more than 30 years ago, between our democratic system and what President Reagan called the evil empire of the Soviet Union. And I'm reminded that until Reagan, our leaders thought only of balance and detente between our systems and theirs. But when it comes to corrupt kleptocracy, when it comes to hateful theocracies, when it comes to dictators, and when it comes to China's oppressive communist regime, when it comes to all this versus democratic capitalism, I do not think in terms of balance, I do not think in terms of detente. I do not think in terms of accepting the status quo. No, I think is Reagan thought, and my thought is this. We win, they lose. So what are some of the solutions to the threat posed by the Chinese Communist Party? And remember, we're talking here about this awful political organization, not the Chinese people. They're stuck with their government, it's been forced upon them at first, at the point of a gun, and now at the point of a camera, because everything is so monitored over there. So we're talking here about the Chinese Communist Party, how do we win? How do we move China toward a more just more democratic, less threatening rights based society? And how do we accomplish this the same way President Reagan won the Cold War without firing a single shot? Well, there are actually many solutions, but let me offer just to based on my decades of experience in finance, first, China absolutely needs access to our deep and liquid capital markets, our stock exchanges. Now the CCP and be forced to comply with the rules we established to access those markets. We're doing a really poor job of enforcing them right now. By doing that, it gives us the opportunity to stop financing China's state owned enterprises, what are known as S O E's as national champions. Today Chinese SOE state owned enterprises. Their subsidized national champions routinely list their stock on our exchanges, and they use the money they raise our money to lie, cheat and steal their way toward dominance in their fields. While using often stolen technology to strengthen a Chinese military that is designed Make no mistake, to kill American sailors and soldiers. Should that time come. You know, an old communist saying provides, we will hang the capitalist and he will sell us the rope. Well, when we buy the stock of Chinese state owned enterprises, when we buy the stock of their so called national champions, we are no longer selling them the rope, we are buying them rope. That's why I and a growing list of Americans demand that we prohibit the sale of SOE stock on our exchanges just don't allow it. If China wants access to our capital markets, then only their publicly held not state owned companies should have that access if those companies even exist in the future. And if those companies abide by the same reporting rules as US companies, something we barely require or enforced now. And here's my second suggestion. State owned investment funds, often known as sovereign wealth funds invest trillions around the world, including here in the US Well, no surprise, China has the world's largest sovereign wealth fund, and many affiliated funds connected to it. They do have the money to buy voting control of

many American companies, and they continue to snap up American real estate. But sovereign wealth funds can and often are motivated by factors other than pure investment economics. Of course, they have political objectives as well. Therefore, I would only allow those funds to invest in most US companies, not defense related companies. On a strictly non voting basis. The use of non voting share certificates is certainly not unprecedented. Those sovereign wealth funds and their affiliates could participate in the growth of our great companies our great economy, they could even receive dividends. In short, they could have a stake in the success of our system. But they should not be allowed to vote their shares, not ever. Again, China needs access to our capital markets. That's why these two simple steps not allowing SOEs national champions are other companies that refuse to comply with our reporting requirements and that represent the political interests of another country, not allow them to list their stock on the US exchanges and not allowing foreign wealth funds. sovereign wealth funds to have stock voting rights, these two simple steps would have a profound impact on how China and some other countries do business, and it would compel them to permit the growth of more transparent non state owned companies in order to access our capital markets. One other aside here. The Biden administration recently refused to remove state owned enterprises to remove exchange traded funds and mutual funds from federal employee retirement portfolios, refused to do it. And that's a third thing we could and should do is we should simply not allow us investing into those state owned enterprises, different discussion, we'll get into it sometime in the near future. Now, using our economic strength and our moral authority as the world's greatest democracy. There are many other things we can and should do to bring the CCP further into compliance with international norms. For example, as I mentioned, we should limit American investment in China especially by reducing our reliance on their manufacturing capabilities. This is something we began during COVID As we saw our supply chains disrupted, but I fear we're backtracking now. And as I also mentioned, we should remove SOEs or the military related companies within any non democracy from the portfolio's of our government and private retirement funds. These this is these are no brainers. These are just some of the nonviolent lawful steps we can and should take to diminish the financial strength of our greatest average adversary, or at least to stop funding them.

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Keith 40:12

There is no moral equivalence, there is no parity. There is no moral equivalence between these other systems and ours. My point is that we cannot accept the notion that there is parity or a moral equivalence between our systems. In fact, China replaced its so called century of humiliation with a century of political oppression. And we have helped finance that oppression. Our systems are not equal, not by a longshot. There is absolutely positively no moral equivalence between America and the kleptocracy of Russia, between America and the theocracy of Iran, between America and the petty dictators around the world and most certainly, between America and the communist government of China. Freedom and communism, freedom and Kleptocracy, freedom and theocracy, freedom and tyranny are not morally equivalent, not now, not tomorrow, not ever. Which brings us back to where our emphasis must always rest on the rights of each individual. That is the foundation of democratic capitalism, the foundation of our Republic, the foundation of Western civilization. We are built for freedom. Yes, we are endowed by our Creator. Think about it. We have eyes with which to see distant horizons, ears of which to hear great words, legs to carry us as far as we're willing to walk arms with which to reach for what we want hands with which to grasp what we hope to keep brains with which to reason and most important of all minds with which to dream. Yes, we are each a sacred, unique minority of one. Yes, we were born for freedom. In 1787 When an 81 year old Benjamin Franklin hobbled down the steps of Philadelphia's

Independence Hall, moments after the framers had approved our Constitution. A woman asked him, sir, what have you given us? He replied, a republic, if you can keep it. Let us always stand for democratic capitalism. Let us always stand for our republic. Let us always stand for the individual. Let us always stand for freedom. I am Keith DeGreen, and this is as I SEA it!

 Keith 42:50

We are pleased to provide this text from our podcast. As you know, the spoken word is often less formal and sometimes less precise than a written piece that may be carefully edited. I have also been known to sometimes jumble my words beyond recognition! Please let us know if you have any questions or concerns -- and thank you for supporting "As I SEA It!"

Keith DeGreen