



*Kennerly — Gamma-Liaison*

## Economic Proposals For A Second Term

# NEXT TIME THE CHARM

**Gary Allen** is author of *None Dare Call It Conspiracy*; *The Rockefeller File*; *Kissinger*; *Jimmy Carter/Jimmy Carter*; *Tax Target: Washington*; and, *Ted Kennedy: In Over His Head*. He is an *AMERICAN OPINION* Contributing Editor.

■ IT HAS almost become a ritual. Every time we report on the Reagan Administration we note the contrast between the compelling Reagan rhetoric and the disappointing Reagan policies. Some tell us we are "being negative" or "unfair" to the President. But the facts will not go away. The Reagan Administration has failed boldly to push for the fun-

damental reforms and spending cuts which must be achieved. The Conservatives do still get the rhetoric, but the "Liberals" get the action. Of course that could change in a second term. In this article, we will put forward some of the measures, reforms, and policies which Conservatives would like to see the Reagan Administration pursue and implement



**In his second Administration the Gipper must tackle federal spending. With the Debt at \$1.5 trillion, and Budget deficits due to reach \$2 trillion in the 1990s, the President should block any increase in the Debt ceiling, pressure Congress to slash spending, and blitz through a Balanced Budget Amendment.**

---

after President Reagan is re-elected. We are assuming, of course, that Ronald Reagan will win the election on November sixth. Unless a grave catastrophe befalls the Administration between now and then — say the total collapse of the American economy — we expect the President to win overwhelmingly. What then?

Mr. Reagan and his second Administration must make opposition to collectivism a first principle for their policies and actions instead of merely a rhetorical prop. The President must move aggressively to cut the Budget, reduce regulation, eliminate the swarm of bureaucratic agencies, and achieve genuine monetary reform. We have gone so far down the wrong path for so long that an about-face is essential if we are to save ourselves.

After his re-election Mr. Reagan should go forward with boldness and confidence to make changes unhampered by merely political considerations. The Constitution, after all, prevents a third term. There is therefore no reason whatever to hold back on championing the vigorous reforms and massive cuts in Big Government needed for an American renaissance.

Implementation of some of our proposals would doubtless require a much more enlightened and co-operative Congress; others might be

achieved immediately by the President through his Cabinet Secretaries even without congressional support. In any case, one never knows for sure what can be done until one tries. And there is little doubt that President Reagan can go to the American people and rally their support over the heads of Congress. The Great Communicator could call powerfully on his supporters to press their elected representatives to help him achieve less government and more individual responsibility.

But President Reagan must first make it clear that our nation is in serious trouble, instead of painting a false picture of perpetual recovery. The American people must be told about runaway federal growth and the immorality of running \$200 billion Budget deficits. If the growth of spending is kept to its current rate, the annual deficit will reach *two trillion dollars* in the 1990s. The Budget has been balanced only once since 1960. The total volume of red ink accumulated during President Reagan's watch will be greater than the combined deficits of all previous Administrations. This must be prevented. There is *no way* our economy will be able to sustain deficits in the neighborhood of \$2 trillion a year. Before that level is reached we could well experience a serious banking





**Peter Grace has recommended specific areas where government could save some \$242 billion over three years. If re-elected, Ronald Reagan should immediately implement those Grace proposals. Additional savings could be realized by deregulation and privatization of education and energy.**

---

and currency crisis precipitating a complete financial breakdown and the collapse of our system of government.

Even with the modest early Reagan attempts to cut spending, total federal expenditures between 1981 and 1983 grew at a rate of 22.5 percent — identical to the rate of growth in the Budget during Jimmy Carter's first two years between 1977 and 1979. Despite howls in the media that Reagan has heartlessly slashed Welfare spending, the facts are otherwise. While Welfare spending increased 20.1 percent between 1977 and 1979 under Jimmy Carter, such spending shot up at the rate of 23.4 percent between 1981 and 1983 under Reagan. With "cuts" like these, we will top trillion-dollar Budget levels within a very few years!

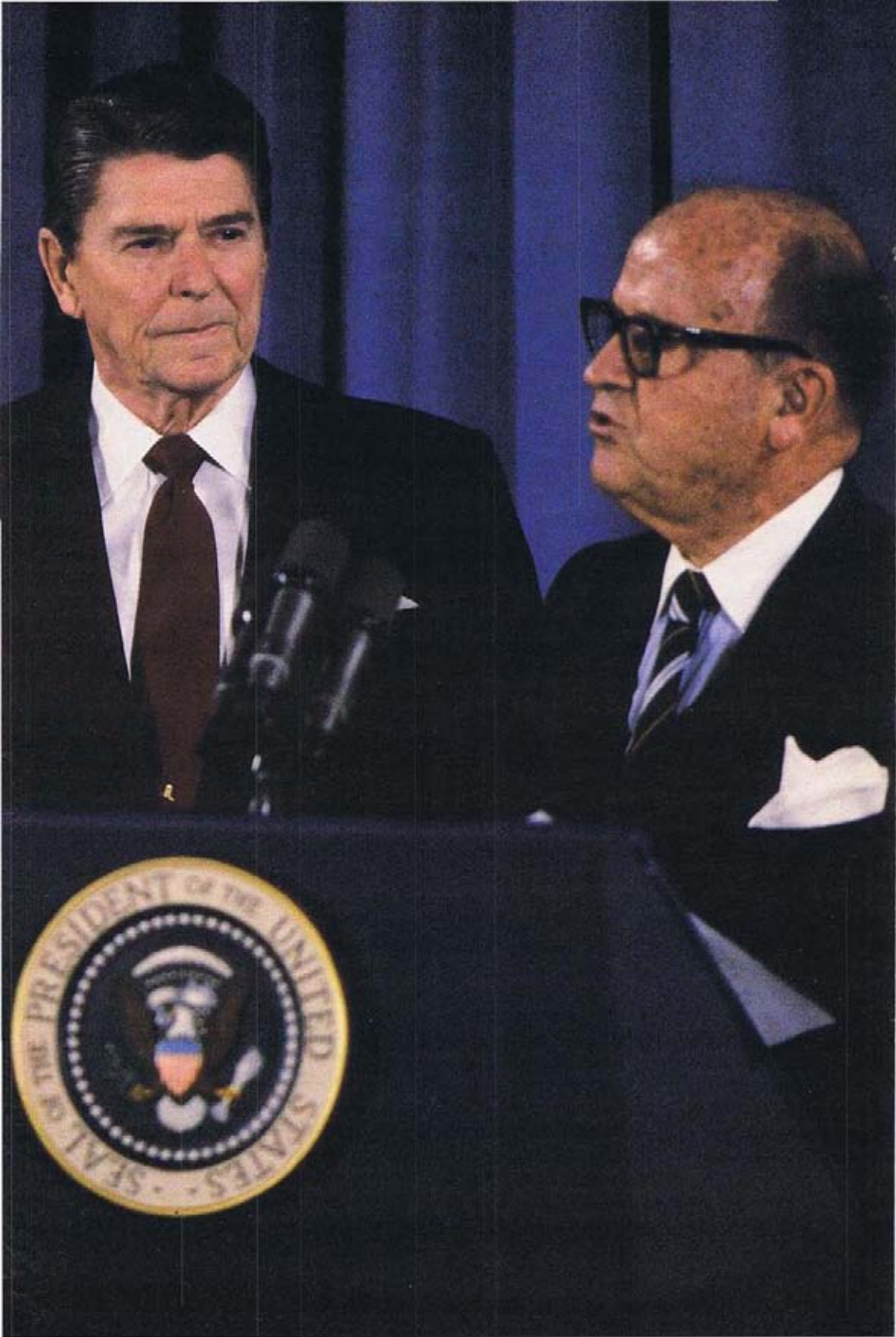
Many Americans, hearing the media reports about "Reagan Budget Cuts," believe that the federal Budget crisis is under control. The President must inform the nation in no uncertain terms that far from being under control, federal spending is bleeding the nation dry.

### **Beyond The Fat**

The National Debt is now officially more than \$1.5 trillion and climbing at a stupendous rate. Instead of periodically asking the Con-

gress to raise the "debt ceiling" to accommodate the ever-rising sea of red ink, the President should block further "ceiling" increases. He has the votes to do this, and it would put the onus of coming up with specific cuts on the Democrat-controlled House. We can save \$424 billion over three years simply by implementing the recommendations of the Grace Commission — the President's Private Sector Survey on Cost Control. (For details, see *A Taxpayer's Survey Of The Grace Commission Report*.)

There is no question that the entrenched schemes of the New Deal and Great Society contain enormous amounts of waste and inefficiency. Even "Liberals" tell us they oppose such abuse. But it is not the function of government to tax away and redistribute the income of our most productive citizens. All too often in the past, hard-core Americanists have been disappointed by G.O.P. Administrations which adopted the line of "Modern Republicanism" that all we need to do is apply modern business methods to government agencies and make the system work more efficiently. This means that, in any clash between the "Liberal" Democrats and the "Modern Republicans," the debate is not over the fundamental question of what government should and should not be





doing, but whether the Republicans can run the Welfare State more efficiently than the Democrats. Instead of merely trying to run efficient socialism, the Reagan Administration must move aggressively to root out socialism and privatize the economy.

Given the enormous extent of unconstitutional and illegitimate programs, agencies, and bureaus which currently feed upon the lifeblood of the American economy, we can safely say that our country will not be restored to its Free Market traditions over a holiday weekend. But as Kung Fu-tse once said: "A journey of a thousand miles begins with a single step." Ronald Reagan *could* make that step a great leap forward for America.

### **Education And Energy**

In 1980 candidate Reagan pledged to eliminate the Department of Education and the Department of Energy, two bureaucracies which are not authorized by the Constitution and which have failed to give us better education or more energy. In his second term, President Reagan must honor his promise by asking the Congress to abolish these federal departments, helping to liberate both education and energy from the heavy hand of government.

It is time to defund the bureaucrats of the National Education Association. The President should use his influence to help remove education from the hands of government and restore it to the private sector. Tax cuts or tax credits for parents choosing to send their children to private schools would be a start, breaking the stranglehold that the radical N.E.A. union bosses have achieved over public education. Some excellent proposals for getting politics out of education and education off of your

tax bill have been offered by Dr. Frank E. Fortkamp in his hardhitting book *The Case Against Government Schools*. Those proposals should be implemented.

The President and Congress must also act with alacrity to remove all political obstacles which have been erected over the years in the way of energy production. A modern industrial economy like ours requires vast quantities of energy. To his credit, President Reagan made good on his commitment to end price controls on domestic oil production when he accelerated the phase-out of such controls initiated by Jimmy Carter.

As a result of President Reagan's early decontrol of oil prices, the O.P.E.C. oil cartel has been checked and gasoline prices have declined. In addition to deregulation of prices, the Reagan team should repeal the "excess profits tax" on domestic oil production. The President could bring James Watt back into government to free up more federal lands — hitherto off-limits to exploration and extraction — and make even more oil and gas available so that American industry can continue to grow on cheap fuel.

The President should also act to decontrol natural-gas prices. As with decontrol of oil, this will lead to a more efficient use of our energy resources.

America has 210 billion tons of known and recoverable coal reserves — equal to about seventy years' worth of our energy requirements at present rates of consumption if we had no other form of energy. This, combined with the indicated deposits which are recoverable with currently available technology, amounts to at least 440 billion tons — enough energy for 140 years. Ultimately recoverable reserves are estimated at

*(Continued on page ninety-seven.)*



## NEXT TIME THE CHARM

about one *trillion* tons (enough for three hundred years) to 1.8 *trillion* tons (enough for five hundred years).

We are blessed with an abundance of coal — yet its judicious use is being thwarted by a maze of regulatory obstacles, including the following: the Surface Mining and Control Act of 1977, the Federal Safety and Health Act of 1977, the Surface Mining Control and Reclamation Act of 1977, the Federal Land Policy and Management Act of 1976, the National Forest Management Act of 1976, the Alaska Claims Settlement Act of 1971, the Federal Coal Leasing Amendments Act of 1976; the Mining in the Parks Act, the Clean Air Act, and the Clean Air Amendment of 1977; the Federal Coal Mine Health and Safety Act of 1969; and, the Community Health and Environment Surveillance System. The foregoing statutes and regulations should be either repealed or modified to reduce gross interference with coal technology and use.

If our country had enjoyed a free market in the energy field, instead of the numerous impediments imposed by government, American industry would already have developed around coal and nuclear power as major energy sources, instead of switching to increasingly expensive oil imported from the Middle East. Certainly our nuclear-energy industry would be thriving except for the incredible regulations and phony Rockefeller-financed political opposition which have all but halted the opening of new plants.

By reducing the bureaucratic harassment of energy production — oil, gas, coal, and nuclear — the President could save taxpayers and consumers scores of billions of dollars,

greatly improving the competitive position of American goods in the domestic and world markets. Can Ronald Reagan achieve that? Not if he again backs away from people like Anne Burford and Jim Watt.

### Social Welfare Spending

Certainly another area of government that must be greatly reduced by a Conservative Administration is the sprawling bureaucratic system of Welfare State programs and agencies which redistribute wealth from those who produce it to those who do not. It is the Conservative view that one man's need (real or alleged) does not justify the legal claim of a third party on the earnings of another.

The conspiratorial drive to weaken the American economy and to abrogate private property rights has included as a central mechanism the gargantuan run-up in Social Welfare spending and transfer payments. About five million bureaucrats are employed in America's massive poverty industry. Their chief function is to counsel with, and dole out federal money to, about 44 million recipients. We now know that the Great Society poverty schemes did not reduce poverty, and their elimination would not result in greater poverty. Consider the following analysis by Warren Brookes in his column for August 17, 1984:

"During the eight years before Great Society spending took off, 1960-1968, the number of poor people in this country was cut from 40 million to 25 million — and from 22 percent of the population to 12.8 percent, or nearly 3 points *lower* than it is today. Poverty, during this period, dropped at an astonishing 6.7 percent per year — and all this was accomplished while federal social spending as a share of GNP averaged less than 6 percent.



"But, during the 1970s, Great Society social spending levels *doubled*, to 12 percent of GNP — and what happened to poverty? Well, in 1977 the number of poor people stood at 24.7 million, only 700,000 fewer than in 1968, nine years before. Progress against poverty had stopped cold, even as spending levels doubled.

"Then in 1978-79, a funny thing started to happen: even as social spending continued to soar, poverty began to rise, and between 1978-1981, 7.3 million people were added to the poverty rolls, raising the number of poor in 1981 to nearly 32 million, the highest since 1966, the start of the Great Society.

"Yet social spending as a share of gross national product in 1981 stood at an all-time high of 12.5 percent, and even under President Reagan it has continued at 12.3 percent.

"Thus, to say social spending alleviates poverty, and that the minuscule cuts of the first Reagan budget (1982) had any significant adverse effect on poverty, is simply specious."

The Great Society's "War On Poverty" did not conquer poverty (it really wasn't intended to by the *Insiders* behind the scenes) but it has resulted in the proliferation of that vast poverty constituency and bureaucracy we described. This makes eliminating such programs politically awkward. There would be much wailing and gnashing of teeth from those profiting by these programs and bureaucracies, but the Administration would have the approbation and gratitude of the millions of Middle Americans who have been paying the ever-higher taxes to support this largesse. And Mr. Reagan must persuade the Congress to go beyond simply reshuffling and renaming of the Great Society programs inherited from previous Administrations; these

programs should be phased out as rapidly as possible, consistent with an appreciation of the need to minimize hardships during the process.

What about the truly needy? For starters, there would be far fewer people in poverty since the economy would be greatly stimulated by lifting so much of the burden of Big Government off the backs of the productive. Many new jobs would be created in private industry. Unemployed bureaucrats could be retrained, and Welfare clients could be moved from the dole to positions of self-respect.

Those unfortunates still genuinely in need could get assistance from private charitable institutions, which would be better supported in a climate where the people are not taxed to their knees and charity is again treated as a private virtue. As an interim measure, any personal relief funds from the government could be made in the form of loans. The recipients of such loans might even be under no legal obligation to repay them, but as long as their loans remained unpaid their voting privilege would be suspended. One part of the population should not be able to vote to force another part of the population to support it financially.

If the temptation to placate Welfare constituents were removed in this manner, there would likely be a striking improvement in the quality of candidates for public office — and bloated Welfare pushers like Teddy Kennedy and Tip O'Neill might lose their political base and have to retire from public life.

The Social Security abomination is the biggest of the Social Welfare spending programs. Despite the historic tax hike pushed through by the Reagan Administration to support this pyramid scheme, the "trust funds" will be as dry as desert bones with-



in a few years. We must begin to phase out this legacy of the New Deal before it bankrupts us all. A reasonable cut-off age could be established and those under the specified age informed that they may not rely on receiving Social Security benefits in their retirement years. This would encourage young people to begin making their own provisions under expanded I.R.A. programs while keeping faith with the elderly.

Meanwhile, the greatest good the government can do for those facing retirement would be to establish a sound money system and free the economy to assure booming productivity. This would mean *falling* prices for goods and services — the best thing that could happen to the elderly on retirement incomes.

Mr. Reagan's second term will be his last chance to do something about Social Security rather than merely staving off its imminent collapse. Here he can learn from the example of Chile. That country also had a government Social Security program — one that, like ours, was heading for collapse. Chile called in Free Market advisors and converted to a private alternative. Not only did the workers not lose their money in the transition, but the private retirement funds into which they now pay make money instead of losing it. Even better, the accumulated capital is available to industry for creating jobs.

What about the politics of all this? Although Social Welfare spending has increased under the Reagan Administration from what it was in the Carter-Mondale years, Mr. Reagan's critics in the "Liberal" media continue to denounce the President for making "the biggest budget cuts in history" and claim that, as a result, Americans are literally starving in the streets. Nothing could be further from the truth, but when did

that ever stop *Time*, CBS, and *Newsweek*?

What would President Reagan have to do to please his "Liberal" critics? No matter what he did, they would not be appeased. Instead of trying to placate the spenders with their alligator tears for the poor, President Reagan must realize that he will never get their endorsement. He will be criticized vociferously *no matter what he does!* Hence, if he is to be blamed for large social-spending cuts, he might as well go ahead and make the real and permanent slashes that are needed, privatize charity, and let the people judge the consequences.

### **Corporate Welfare And Red Tape**

Corporate Welfare and subsidies to business must also be phased out as quickly as possible. How can President Reagan ask Congress to go along with real cuts in Social Welfare spending without pushing even harder to cut the largesse now being funneled to special-interest business groups and money-center banks. *Laissez faire* means an end to privileges from government for everyone — including super-rich bankers and corporate elitists.

In this connection, the President should continue to resist all pressures to inaugurate any "national industrial policy" which would favor *Insider*-dominated corporations at the expense of their marginal competitors and the public. Instead, the President should campaign publicly to cut the privileges and subsidies already granted to the special interests in Big Business. Corporate socialism is not private enterprise, and the people know it.

Ronald Reagan's Administration should at the same time drastically cut the regulatory red tape choking production like tourniquets on the



**Five million povertycrats now dole out the taxpayers' money to some 44 million recipients. Getting Big Government off the backs of producers by eliminating red tape and regulatory harassment would create new jobs in the private sector so that Welfare clients could be put to work and regain their self-respect.**

---

arteries of commerce. Federal regulations impose hundreds of billions of dollars in costs on U.S. production, with these costs being passed along to consumers in higher prices charged for everything we buy.

The regulatory agencies cannot of course even be listed here. Nobody knows how many there are. A few candidates for abolition which come readily to mind are the Interstate Commerce Commission, the Federal Trade Commission, and the Occupational Safety and Health Administration. Bureaucrats in these and a great many other federal agencies waste well over a hundred billion of your tax dollars every year — enough in waste alone to have run the entire federal government in any year before 1962! And that's just the estimated waste!

It is further estimated that every dollar the federal government spends on direct regulation costs consumers twenty dollars in compliance. We have already touched on some of the regulatory statutes enacted against efficient use of our coal resources. Almost every major industry has been at least partially cartelized by a similar maze of regulations, most not voted into existence by Congress but simply decreed through the *Federal Register* by the myriad federal agencies.

Regulations not only hamstring American production, they tend to reduce competition and efficiency. They have the effect of barring entry of newcomers into a field, thus protecting Establishment firms from competition. Regulatory rigidities are almost always to the advantage of the already dominant companies. After well-financed "reformers" push for the establishment of some new regulatory bureaucracy — with the effort to regulate usually manipulated behind the scenes by the vested interests — an accommodation develops between the industry under regulation and the regulatory agency. Giving more regulatory power to bureaucracy (the naïve solution offered by the Left) only makes the system more rigid and the privileged interests more secure. Ever more power to the regulators means, in practice, ever more power to the monopolists and cartelists. This mandates higher prices for everyone, and is especially burdensome to the poor. The fact of the matter is that most of the federal bureaucracies in Washington function as raisers of prices and protectors of privilege. The best thing to do is simply to abolish as much and as many as possible.

While he's at it, the President should not forget to remove the po-



litical props which uphold the power of the privileged labor unions. Workers, like consumers, are best served by a competitive labor market. During his second term in office, acting with a cooperative and Conservative Congress, the President should move to: repeal *all* minimum-wage laws, helping greatly to reduce unemployment among young, minority, and unskilled workers; repeal the Norris-La Guardia Act of 1932 and the Wagner and Taft-Hartley Acts of 1935 and 1947; do away with the Davis Bacon Act; abolish the National Labor Relations Board; and, repeal all attempts by government to regulate or set wages, prices, profits, rents, and interest rates.

Can he do it? Probably not yet, but he can focus the debate on freedom.

Finally, an effort should be made to phase out or immediately eliminate foreign-aid programs which are often just disguised subsidies to *Insider*-dominated corporations and banks. With interest, these have bled us for a sum equal to nearly twice our entire National Debt, and their abolition would be wildly popular with the American people. Mr. Reagan will have enough support in Congress to stop every one of these giveaways with a simple veto. All he has to do is dare to stand up for what he has said are his principles.

### **A Freeze On Taxes**

The unprecedented federal deficits we have experienced are blamed by most pundits on the Reagan Administration's tax-rate reduction passed in 1981. To reduce the horrendous deficits, the Left maintains, taxes will have to be raised. Democratic candidate Walter Mondale has stated that he would raise taxes if elected, that this is the only appropriate way of damming the flood of red ink. Does President Reagan also

plan to raise our taxes in 1985, as Mondale charges? We hope not. Deficits are out of control because *spending* is out of control. Raising taxes will not solve the problem. The federal government could now tax away every personal-income dollar not already being taxed above \$35,000 and the revenue would pay federal bills for only forty-one days!

Giving government more tax revenue will only encourage the politicians and bureaucrats to spend more. And make no mistake about it: Federal tax revenues have *increased*, not decreased, under the Reagan-Bush reign. Examining the gross figures for federal receipts and outlays, M. Stanton Evans reported in *Human Events* of August 18, 1984: "Neither federal revenues nor federal spending has been cut in the past four years. Quite the contrary. Revenues have grown at an average rate of \$39 billion a year, with a result that federal receipts this year will come in \$156 billion higher than they were in 1980. Revenues fell off in recession-affected 1983, but have more than bounced back this year with an expected hike of almost 12 percent. All told, federal receipts have grown by roughly 30 percent since Ronald Reagan was elected."

But federal spending has risen even more radically than revenues. Total outlays for Fiscal 1984 are expected conservatively to amount to a mind-numbing \$845 billion, some \$269 billion more than spending in 1980. That's a rise of more than forty-five percent!

We strongly agree with Stan Evans when he observes: "The outcry about alleged 'cuts' and the supposed need for a further hike in taxes is simply an effort to mulct the average citizen for added dollars to keep the spending spree in motion. That is the message that President Reagan



and his party should be communicating in reply to Mr. Mondale."

In 1982 the Congress passed, and President Reagan signed, the monstrosous Tax Equity And Fiscal Responsibility Act Of 1982. This act of "fiscal responsibility" was the largest tax increase in U.S. history, pulling in a projected \$218 billion of additional tax revenues over five years. Yet the Budget deficits have since escalated rather than diminished. As Congressman Ron Paul of Texas has put it: "Only by shutting off the spigot of taxpayer money can the Budget be brought under control and the deficit reduced. Just as oxygen feeds a fire, tax revenues feed the spending sprees of Congress."

Instead of a nuclear freeze, America requires a *tax freeze*. The National Tax Limitation Committee has proposed a Tax Limitation/Balanced Budget Amendment to the U.S. Constitution. Endorsements by only two more state legislatures would require the U.S. Congress to call a Constitutional Convention to consider such an Amendment. It would still have to be approved by the state legislatures, so we may be sure that the Convention could not be used to give away the store. But runaway spending must be stopped!

Even more radical measures might be in order. The linchpin of the federal juggernaut is the graduated income tax, supported by income-tax withholding, which forces employers to be unpaid tax collectors for the bureaucrats. As Congressman Ron Paul recently observed in his *Freedom Report*:

"Two reasons the tax burden, and therefore the welfare state, were able to grow during the past several decades, are the graduated income tax and the withholding of taxes on wages. Without these two socialist concepts, government would proba-

bly have been forced to stick to its constitutionally mandated functions. Imagine that the principle of equality before the law prevailed and the 16th Amendment required that tax rates could not differ based on race, color, religion, or income. Thus, if Congress tried to raise the tax rate, all Americans would be affected, since there would be only one rate that applied to all. The uproar of protest against an increase in the tax rate would be deafening. Instead, we hear demagoguery from politicians who say we need to raise the taxes of the wealthy, yet the taxes of all go up each year.

"Imagine also that Americans were required to write a check each April 15th — or better yet, the first Monday in November, the day before elections — for their total tax bill, instead of having sums withheld each pay period and then receiving a refund. The impact of taxation would be painfully felt by working people, and this nation would witness a revolt that would make the Boston Tea Party look like a tea party."

The Graduated Income Tax, the second plank of Karl Marx's infamous *Communist Manifesto*, is a revolutionary device for destroying a capitalist society. No matter how small it starts off, it will inevitably grow into a monster. With 20/20 hindsight, we can now see that America should never have allowed such a tax in the first place. If political support were available, we would enthusiastically advocate that the Reagan Administration endorse the Liberty Amendment (H.J. Res. 23), written years ago by Willis Stone. Among other salutary reforms, it would repeal the Sixteenth Amendment to the Constitution — the graduated personal income tax — within a period of three years after



ratification. But the odds that this measure will be adopted in the next four years are between slim and none. More work is needed to make it politically possible. In the meantime, a flat-rate tax is under consideration — and, with President Reagan's support, it might well serve to reduce the Marxist progressive feature of the graduated income tax.

Bear in mind also that the income tax would probably not have amounted to much except for withholding. This practice was begun during World War II as a "Victory Tax" but was not abandoned after the war. Dan Smoot describes its effect: "The average worker pays little attention to tax deductions from his paycheck. He adjusts himself to his takehome pay. If the sum is insufficient, he and his family resent the employer, not the government. They do not demand lower taxes, they demand higher wages. Not only the expense, but the *stigma*, of tax collecting is placed on employers, rather than on government."

Under our income-tax withholding system, according to Congressman Paul, "most workers give government an interest-free loan for up to 18 months, then consider the return of a small portion of the withheld tax as an unexpected windfall. The withholding system should be abolished so that the costs of government are openly identifiable by taxpayers."

Whether removing the scourge of withholding could best be accomplished through legislation to repeal it, or by properly presented court cases, Ronald Reagan would do well boldly to support an end to this pernicious practice.

Above all, President Reagan must resist those of his advisors calling for new tax hikes. By responding only timidly to the Mondale challenge

on the tax issue, Reagan has seemed to abandon the anti-tax offensive America needs and that Democrats most fear. In his syndicated column for August 10, 1984, federal Budget expert Donald Lambro warns:

"The White House's failure to stake out a no-tax-increase position early in the campaign might turn Mondale's biggest negative into an act of political principle and courage. Instead of going on the attack — pointing out that a Mondale tax increase would be levied principally on the middle class — Reagan's strategists opted for a muddled, middle position that leaves the door open to personal and business tax increases in 1985. This is the position favored by party moderates like Senate GOP leader Howard Baker of Tennessee; Sen. Robert Dole of Kansas, chairman of the tax-writing Finance Committee; and White House Chief of Staff James Baker III."

Concerned taxpayers would do well to remind the President that his Grace Commission has found more than two thousand places to cut federal spending by some \$424 billion over three years. Widespread distribution of a new book, *A Taxpayer's Survey Of The Grace Commission Report* (Green Hill Publishers, Ottawa, Illinois, \$1.95) could help to keep the heat on. This summary of the Grace proposals, by Bill Kennedy and Robert W. Lee, is dynamite. Beyond that, a constitutional strait-jacket must be imposed on the spenders and taxers — giving them no more "wiggle room"! President Reagan has endorsed a Balanced Budget Amendment and we must keep his feet to the fire to ensure that he works hard to achieve it.

### **Monetary Reform**

Another important reason the federal bureaucrats have been able to



spend more and more is their certain knowledge that, if push comes to shove, their mounting debts can be paid off with "money" created out of thin air by the Federal Reserve System and the fractional-reserve banking system. If you could pay off your debts with phony money you printed up in your basement, you too would be tempted to spend madly. No attempt to control federal spending will be complete without fundamental monetary reform that takes away from government (or anyone else) the authority to issue fiat currency and call it "legal tender." Here, too, President Reagan has a chance to leave our economy far better than he found it.

The indirect tax of monetary inflation acts as a spur to escalating spending because it is concealed and circuitous. Most people do not understand how it works. Instead of stealing the actual units of "money" out of their wallets and purses, continued inflation robs the purchasing power of the units. The tax manifests itself as higher prices for goods that everybody else has to pay *after* the government, the Fed, and their favored vendors buy at the lower, pre-inflation prices. Those who get the new money later are ripped off by those who get the new money first.

Politicians love the inflation tax because it operates so obscurely that people blame everything but the true cause of the problem. While Americans argue among themselves whether inflation is caused by businessmen, labor unions, or Arab sheiks, the government and its friends are raking in the wealth of the nation.

Not only must the Federal Reserve System be abolished, but the power to create new money out of nothing must be constitutionally prohibited. Merely turning over the Fed's powers to counterfeit claims on

real wealth to the Congress or Treasury Department would not do the job. The banking *Insiders* would still control the situation to their advantage. Besides, no one can be trusted to counterfeit. No matter how gradually such "money creation" takes place, counterfeiting is wrong in principle as it amounts to theft. Government should protect us from theft, not grant monopolies to thieves.

The ultimate solution to our inflation problem and its consequences is a Separation Between Money and State, in the same sense and for the same reason as the Separation Between Church and State — to prevent any group from using the political power of Big Government to gain a monopoly or special privilege. The provision of money and credit would no longer be under jurisdiction of government or any government-granted cartel; instead, these goods and services would be left to the marketplace, which means that gold and silver coins would again circulate, along with notes fully redeemable in gold and silver. This would end the privileged monopoly of central banking and free our economy from the instabilities of inflationary booms followed by traumatic busts.

Detailed plans for accomplishing this have been worked out and proposed. Congressman Ron Paul has introduced a bill, H.R. 7874, which outlines a comprehensive plan to (among other things) repeal the privilege of banks or government to create fiat money, and to convert the U.S. to a full gold standard within two years of ratification. Another plan, offered by economist George Reisman of Pepperdine University, would establish a gold and silver coin system and require the banks to maintain a 100-percent reserve.

If Americans could get their hands



on what gold is left in Fort Knox and other depositories they could protect themselves from the runaway inflation that is sure to come from continued profligacy. Both Dr. Reisman and Congressman Paul call for privatizing the government's gold hoard by minting coins for use by American citizens. Such coins would give our people a monetary safety hatch. As the paper Yankee Dollar goes the way of the Mexican Peso and the Israeli Shekel, Americans would have the option of making contracts in gold and using coins of precious metal in their transactions. This would greatly ease the transition to a sound financial order.

If Ronald Reagan did nothing else in his second term except initiate the transition to real money from the current paper-go-round he would go down in history as a great President. Starting over on a foundation of sound money and honest banking, the U.S. economy would grow strong and healthy, providing Americans with a brilliant economic future. Our economy would not only be inflation-proof, but depression-proof as well. If Reagan gets four more years in office, he will have his last chance to achieve this crucially important and historic turning point. It will be a *golden opportunity*.

### **A Final Word**

If the President is to have enough judicial support for the reforms we have recommended, he must appoint

to the federal bench men and women who take seriously their vow to uphold the Constitution of the United States. Due to the advanced age of many now on the Supreme Court, President Reagan's second term will give him the chance to appoint an activist Conservative majority. These should be judges who understand the need for drastically cutting spending and taxes, abolishing expensive bureaucracies, deregulating the economy, ending the withholding of income tax from workers' paychecks, and instituting a new money system based on gold and silver. Such reforms must not be jeopardized by a judiciary in thrall to the Eastern "Liberal" Establishment.

Moreover, America needs judges who believe that people are responsible for their actions — judges who recognize that each individual has free will and is morally responsible for what he does. Today, along with the prostitute academics, most who sit on the federal bench blame crime on everything but the criminal who commits it. Almost everything from the economic environment and toilet training to television and junk food has been held responsible for one heinous act or another. Even treason is tolerated. And mass murder by abortion.

President Reagan will in his second term have a chance to restore the primacy of the Constitution of the United States. He must seize that opportunity. ■ ■

## **CRACKER BARREL**

■ "Our generation of Americans must decide," observes Congressman Newt Gingrich (R.-Georgia), "whether to lead mankind into freedom, productivity and peace, or whether we will preside over the slow decay of mankind into a world of terrorism and tyranny."

■ Robert W. Lee reminds us that there is simply no provision anywhere in the Constitution or its Amendments for Congress to appropriate tax money to subsidize (and control) education in America.

■ Show me a man who thinks talk is cheap, says a well-known wit, and I'll show you a man who has never been to a psychiatrist.