

PAY AND PAY

What Big Government Really Costs You

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■ EVERYBODY realizes that the tax man cometh. Nobody likes taxes, and practically everybody thinks he pays too much. But the truth is that if the average American had any conception of how much he really pays there would be a revolt against Big Brother that would make impeachment seem like tea with a maiden aunt.

According to the Tax Foundation of New York, the typical American now spends the first 112 days of the year working to feed the insatiable appetite of our Washington bureaucrats. The Foundation says that it requires two hours and thirty-eight minutes of our work each day to pay our taxes, while the cost of housing and household operations absorbs only one hour and twenty-four minutes; food and beverages, one hour and one minute; transportation, thirty-eight minutes; clothing, twenty-five minutes; medical care, twenty-three minutes; and recreation, nineteen minutes. Taxes are by far the largest item in the family budget.

And the situation is becoming progressively worse. As Wesley Hillendahl, Director of Business Research for the Bank of Hawaii, observes:

Following the great depression when combined government spending rose to between 20 and 23 percent of personal income, World War II briefly required a level of government spending amounting to more than 62 percent of personal income, accompanied by acute inflation of prices. By 1947, government spending returned to about 23 percent. Subsequently, over the years, government spending has gradually taken an increasing share of personal income. Spending reached 35.8 percent in 1960, and 41.8 percent in 1970. Presently, government absorbs 43.5 percent of personal income, twice the share of 40 years ago.

Mr. Average American does not realize that he is in a forty percent tax bracket because most of the taxes he pays are hidden in the cost of goods and services he buys. Commentator Paul Harvey put it this way: "Only people pay taxes." His point was that while demagogues and the economically ignorant scream for ever more taxes to be paid by giant corporations, the truth is that all such taxes are passed on to consumers in the prices charged. Another five billion dollars in taxes on the steel industry, for example, means an additional five billion dollars passed on in higher prices to the myriad of industries that use steel in the manu-

facture of their products. These industries, in turn, pass on the increase to you, the consumer.

You begin to realize what this means when you learn that there are 151 taxes on the contents of a loaf of bread, 100 taxes on an egg, 116 taxes on a man's suit, 150 taxes on a woman's hat, 600 taxes on a house, 87 taxes on a quart of milk, 114 taxes on a pair of overalls, and 191 taxes on a fence. These taxes accumulate like compound interest with each additional tax added to each preceding tax. You absorb every single one of them when, as a consumer, you buy the finished product.

Every time the government adds another billion dollars to its spending, the cost to your family in direct and indirect taxes is about twenty-five dollars. At the height of the Vietnam War the federal Budget was an astronomical \$179 billion. Since that time, even though our participation in the war has been terminated, federal spending has been pushed to \$305 billion. At a cost to you of twenty-five dollars per billion, approximately \$3,150 has been added to your tax burden in the past six years alone, bringing your average total tax cost to \$7,625.

The Administration now claims that it will quench the fires of inflation by cutting back the Budget by the monumental amount of five billion dollars. But five billion dollars is an infinitesimal 1.6 percent of the Budget. Trying to drown the fires of inflation with a 1.6 percent cut is like trying to stop a forest fire with a water pistol. Your family's share of the \$305 billion Budget is \$7,625. If the Administration is successful at paring the Budget to a measly \$300 billion, your share of the cost might shrink to \$7,500. That is hardly a figure so low as to set anyone dancing in the streets.

The Inflation Tax

But we are still adding up what Big Government costs you. Another large "tax" you pay is the inflation tax. It is

now running at a minimum of ten percent per year. When we add that to the forty-three percent of your income which already goes to pay various overt and hidden taxes, the cost of Big Government is now fifty-three percent of your paycheck. And you thought that only rich guys with incompetent accountants were in the fifty-percent bracket!

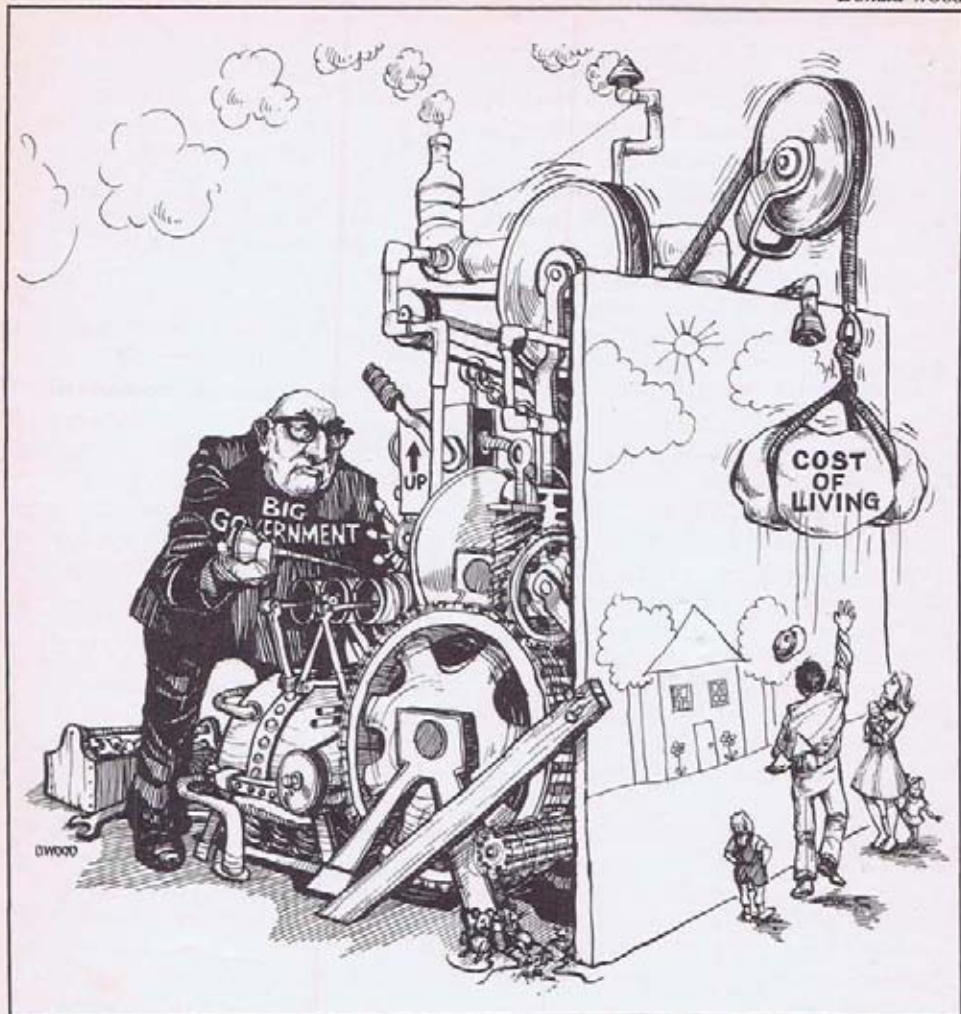
In a recent C.B.S. Special ("Inflation: How Much, How Long?") commentator John Hart began by defining inflation. He said inflation is the only easy aspect of the problem. "Inflation," quoth Hart, "is a period of rising prices." To the man on the street who has relied on the media for what he knows of economics, that definition might seem self-evident. Unfortunately, it is wrong. Who says so? Every honest economist says so, and so does your dictionary. *Webster's New World Dictionary*, for example, defines inflation as "an increase in the amount of currency in circulation, resulting in a relatively sharp and sudden fall in its value and rise in prices: it may be caused by an increase in the volume of paper money issued or of gold mined."

Read that carefully. Inflation is an increase in the supply of paper money which causes prices to rise.

If only C.B.S. had the Hart to tell us the real truth.

And who increases the money supply? Butchers, bakers, and candlestick makers? Certainly not. The supply of money is controlled by the federal government and its Federal Reserve System. It is *carefully* controlled. So that we never have inflation unless the government *wants* to have inflation and acts to create it.

The government inflates (increases) the money supply in two ways. One is by increasing the amount of credit made available through the banking system, and the second is through a process whereby the federal government's Budget deficits are paid through the issuance of new money. The Nixon Administration, for example, ran up the incredible total



The machine of Big Government which has hoisted your cost of living into the clouds has done so by inflating our currency (through runaway deficit spending) at the rate of 10 to 15 percent a year, and through massive government regulation which has added another 10 to 15 percent to the cost of everything you buy. Considering that direct and hidden taxes now take 43.5 percent of personal income, it is clear that Big Government has set out intentionally to raise our cost of living and reduce our standard of living. Typical of its means of doing this is the Environmental Protection Agency. Its anti-pollution regulations for automobiles will cost consumers \$95 billion — a sum greater than the worth of all goods and services produced in Canada for one year. The ten-year outlay to be demanded of consumers and taxpayers to "clean up the environment" in conformity with the new bureaucratic standards is estimated at \$287.1 billion. The harassments of O.S.H.A., alone, have already added \$3,000 to the cost of building a \$35,000 house, and just filling out federal forms required of business currently wastes 130 million man-hours that might otherwise be devoted to producing goods and services at lower cost.

of one hundred billion dollars in deficits which have been turned into the equivalent of one hundred billion green-ink dollars. These green-ink dollars take on value only by subtracting from the value of all of the dollars already in circulation and amount to an additional inflation tax on the American people of one hundred billion dollars.

During the Nixon Administration, the money supply was increased by fifty percent. John Hart of C.B.S. may not see any correlation between this and the fact that the cost of living has escalated by about the same amount, but anybody with the common sense to read *Webster's New World Dictionary* will see it easily. Politicians cause inflation by spending deficit dollars, for which you pay a "hidden" tax in the resulting rise of your cost of living.

At the moment, the cost of living is jumping even faster than the increase in the money supply. How can this be if inflating the money supply is the cause of rising prices? The answer is that increasing the money supply is the only cause of inflation, but it is not the only means by which your cost of living can be raised. While it is a matter of pure physics that a general rise in prices must be accompanied by a rise in the money supply, there are other factors that can affect prices. These factors are supply and demand. In the market as a whole, demand remains insatiable. The problem is that supplies and allocations are now being restricted by government regulation and manipulation.

Let us consider how the increasing cost of government regulation is adding to your cost of living as one more price of Big Government. After all, such increases in the cost of doing business must be passed on to the consumer and are for all practical purposes another form of taxation. We now have the E.P.A. tax, the O.S.H.A. tax, the F.T.C. tax, and on and on and on *ad nauseam*. These "taxes" are increasing at the greatest rate of any in

our economy, and if not eliminated will soon bring us to our knees. What is happening is that Gulliver is being hamstrung by an army of Lilliputian bureaucrats equipped with an endless supply of red tape with which to tie down an economy that, if left free to operate, is capable of creating wealth and prosperity beyond your wildest dreams.

The Food Game

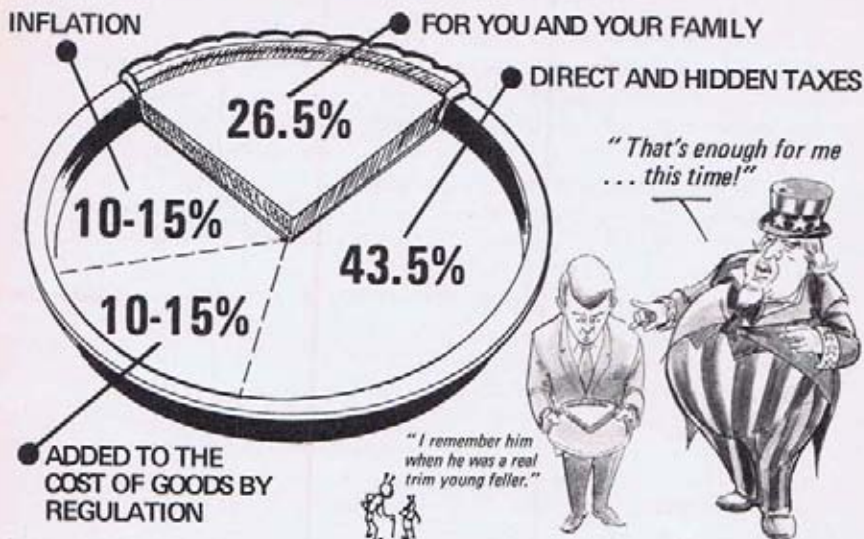
America's grocery bill has leaped twenty-two percent during the past twelve months, and economists are predicting an equivalent jump in the coming year. The old joke about the children eating a family out of house and home is no longer funny. In some cases it is literally true. And the elderly, caught between their fixed incomes and exploding prices, have in some cases been reduced to eating dog food. The fact is that the cost of food is threatening to deflate a lot of inflated American stomachs.

Much of the steep rise in food prices can be laid squarely at the doorstep of federal regulatory agencies. Perhaps the classic example is the recent sale of wheat to Russia, which Congressman Bertram L. Podell says so "disrupted the natural market processes in the United States" that it will "take years to recover." Senate investigators found that the Agriculture Department's "handling" of the huge 1972 U.S. wheat sale to the Soviets "wasted millions of tax dollars and brought Americans sharply higher food prices."

The 1972 grain sales, largest in history, were part of the Nixon Administration's *rapprochement* with Russia and Red China. But the lawmakers found that the sale "left the U.S. with a shortage of farm products, freight movements were virtually halted in some areas, and unprecedented food-cost increases" added to the burdens of the American people.

What happened is that giant international grain dealers were allowed by the government to buy up subsidized wheat

The Personal Income Pie



from American farmers to sell it at huge profits to the Russians and Red Chinese. It was a grain steal totaling an incredible thirty million tons of grains worth \$1.2 billion, and it included corn, oats, barley, rye, sorghum, and soybeans, as well as one-third of the entire American wheat crop sold on the market last year. America was picking up the tab for failures of Communist agriculture, and our housewives and farmers were to suffer as a result.

We Americans have been made to pay for the grain steal three times in three different ways. First, production of the grains was subsidized by the taxpayer; second, the sale to the Russians was insured by \$750 million in credits provided by the taxpayer; and third, the sale greatly increased the price which every one of us must pay for flour-based products, eggs, dairy products, and meat at the supermarket. You see, these grains (including wheat) are used in feeding cattle, hogs, and poultry. After sale to the Russians, they became scarce and the price of feed grains (and hence meat,

eggs, and dairy products) was pushed higher.

Feeding is the predominant cost of the production of beef and poultry. One pound of dressed beef in a market meat case represents eight pounds of feed grain from calf to slaughterhouse; a pound of cut chicken requires a grain input of about three pounds. You don't have to be an accountant to see what a 290 percent increase in a feed grain (like soybeans) can mean to the price you pay for beef, pork, poultry, eggs, and dairy products.

Proof that the Russian wheat deal was no mistake but an international raid on your pocket, amounting to foreign aid to the U.S.S.R., can be found in the fact that more such "deals" are underway. Congressman Henry Reuss, a member of the House Banking and Currency Committee, recently announced that "at a time of shortages and worsening inflation in this country," government agencies are, "like so many rogue elephants crashing through the canebrake," actively subsidizing the export of scarce goods and equally scarce credit.

The *Pomona Progress-Bulletin* reported in early August that behind the new madness is the Commodity Credit Corporation (C.C.C.), which is "continuing to lend American dollars to foreign countries so they can buy American wheat, soybeans and other scarce commodities at discount prices." In fact, in the fiscal year ending June 30, 1974, the C.C.C. issued \$286 million in new credits. And the Department of Agriculture is preparing to hustle an additional \$415 million in new credits for the current fiscal year.

Congressman Reuss said that one of the beneficiaries of such government largesse at the expense of your food bill is oil-rich Iran — which last year received a C.C.C.-administered loan of forty-five million dollars to buy U.S. wheat. "While the Iranians gouge the Americans on oil," said Reuss in the *New York Times Magazine*, "the C.C.C. gouges Americans on wheat."

With our wheat dissipated, the Congressman added, "bread prices here rise. With our credit diverted to Iran, housing here languishes. With our grain reserves gone, hope of helping the starving millions of the Sahara margin and the Indian subcontinent dwindles. And, of course, the taxpayers pay for the program." Pay and pay.

Meanwhile, our farmers are on a collision course with financial disaster because Big Government is interfering in the fields and in the marketplace. John G. Scott, a leading North Dakota farmer, summed it up when he complained to a House Agriculture Committee: "We who remain on the farms and ranches of this nation are fighting for survival. We simply cannot endure a continuation of the restrictions, regulations, and meddling that have beset us these past forty years." In the "old days," according to Congressman Robert Griffin, there were eighty-seven farmers for every employee of the Agriculture Department. Today there is an Agriculture bureaucrat interfering with

production for every twenty-two farmers.

You have to go back to the "old days" of Franklin Roosevelt's New Deal, when Alger Hiss was playing a major role in the Communist Ware Cell inside the Department of Agriculture, to understand what has been done to our nation's breadbasket. The late Dan P. Van Gorder, writing in *AMERICAN OPINION* for December, 1969, explained what happened when the New Deal began to interfere with the marketplace:

Gross farm income under the free market of 1929 was 13.8 percent of the gross national product; in 1968, under the farm restrictions now rampant, it was only 5.4 percent. Between 1929 and 1967, total farm taxes rose 880 percent per capita of farm population.

As a painful matter of fact, the agriculture industry is probably the most highly regulated essential industry in the nation. And every time the federal government gets in the food production game, the price of food goes up at your local supermarket. You, the consumer, are gouged (taxed) again.

It is incredible what Big Government has sought to do to the farmer and the consumer in the name of regulation over the past four decades. Congressman Paul Findley discussed a typical example in the *Boston Globe* for March 22, 1972. He was complaining about a pending egg-market control bill, declaring that it was "Henocide — a foul deed about to take wing. A chicken-hearted concoction by bird barons." The witty Findley went on to say that a bill being promoted by the Senate Agriculture Committee "is nothing more than a scheme to use the lethal authority of government to force up the market price of eggs by killing the hens." And exactly how would it work? The federal government would set up a "National Egg Board" which, when the price of eggs fell below a particular average

over a three-month period, would order the slaughter of millions of laying hens in order to drive up prices.

Does that sound like supply and demand — the marketplace economy? Most American farming is no longer free enterprise. It is highly regulated, socialized, and paternalized. Yet, as farm publisher Tom Anderson observes:

Of the \$7.5 to \$8 billion spent on the "farm program" annually, only about \$3.3 billion goes to farmers. The rest goes to bureaucrats, giveaway programs, and non-farmers. Our farm programs have propped up Communist governments, made the rich richer and crooks crooked. . . and destroyed the small farmer.

He goes on to say that, in 1968, eighty percent of all farm subsidies went to farmers who earned over ten thousand dollars per year, and thus needed no government help. At the same time, nine giant farming operations got more than a million dollars each in federal subsidies, "eighteen received more than \$500,000 each, and 276 legally clipped Uncle Sam for more than \$100,000 each." Every nickel of that was paid to producers *not* to grow food and fiber which, if produced, would have greatly lowered both your grocery and clothing bills. What is happening is that you are being taxed, and your money spent, to *raise* the price you must pay for food and clothes.

Another tax on you that is a double tax is the Food Stamp program, which is by far the fastest growing and most unproductive of all the Welfare schemes. Here the object is to subsidize the indolent to compete with the middle class for premium foods, again running up the price of your grocery bill.

U.S. News & World Report for March 25, 1974, observes that one out of every fourteen Americans is now being subsidized through the federal Food Stamp

program — which means that almost sixteen million people are getting Food Stamps valued at \$7.2 billion. These stamps are not used to buy agricultural surpluses, since there are no surpluses, but to rake off the best that our supermarkets can offer — raising prices of food as they do so. You have in effect another double "tax," and another reason for the overall rise in prices which is destroying the savings, and ultimately the last bit of independence, of the American worker.

Regulation Is A Tax

Every time government moves it costs you double: once to pay the bureaucrats and again as a consumer to pay for the effects of government harassment. And federal regulatory authority is omnipresent — and omniscient.

That's what William J. Grede, former president of the National Association of Manufacturers, was talking about in his brilliant *Introduction to The Business End Of Government*, a very important book by Dan Smoot. Mr. Grede put it this way:

American business, the most productive in the world, and all of its customers and employees are under the gun. And that gun is in the hands of a bureaucratic giant that is beginning to make Big Brother look like a pygmy. Recently the editors of Industry Week asked the Federal Office of Management and Budget how many federal regulatory agencies are now operating, only to find there are so many that no one in Washington even knows their number.

He goes on to quote Congressman James Haley as observing: "There are now at all levels, some 13 million civilian federal employees, snoopers and bureaucrats of assorted stripes and scents, whose salaries alone cost us \$107 million per year . . . and this is just the tip of the

iceberg." The point is that we are paying a fortune to have government harass business in such a way as to reduce efficiency and raise costs — for which we pay once as taxpayers and again as consumers.

When you talk about energy, or housing, or the production of food, or transportation, or any other area of American economic life, you find that federal regulatory agencies are there increasing costs. One way they do this is by strangling industry in needless paper work. For instance, A.T. & T. spends over three million dollars a year just to collect data needed to file "progress reports" with the Equal Employment Opportunity Commission. Richard Allen of Phizer Incorporated says most large firms must spend over a million dollars a year compiling reports for E.E.O.C. alone. And that is but *one* agency. As William Grede remarks:

Preparation of forms that they require is costing American industry as much as \$75 billion a year, to which must be added the \$10 billion a year taxpayers lay out to process the same paper once it is in the hands of the bureaucracy. . . . The National Archives estimates there are currently over one million forms in use by federal agencies . . . some 250,000 federal workers do nothing but file forms and papers into the two million filing cabinets maintained by the Executive branch of government . . . covering over 25 million cubic feet of floor space — twelve times the rentable floor space of the 102-story Empire State building.

Is it any wonder that total federal spending jumped from \$3.8 billion in 1922 to over \$300 billion by 1974? Is it any wonder that the cost of doing business in America is going out of sight? And you pay for it.

Radio commentator Paul Harvey says there are ten government forms to be filled out each year by business for every man, woman, and child in the country. He calls this a "suffocating paper pollution," and says it is growing "like a metastasized cancer." Some 130 million man-hours are each year lost to productive effort because American businesses must spend them instead at completing and forwarding two *billion* pieces of paper to various federal bureaus. What is more, says the *Arizona Republic* of May 29, 1974, is that "the rules, regulations and guidelines written and enforced by non-elected civil servants have become so ubiquitous and pervasive that large and small businessmen calculate that as much as 15 percent of their operating costs arise from government-required book-keeping and administrative programs."

That fifteen percent G.H.C. (Government Harassment Charge) is passed on to the consumer as one more "tax" resulting from Big Government.

What The E.P.A. Costs

One relatively new regulatory agency which has been adding greatly to the cost of living is the Environmental Protection Agency (E.P.A.). Though in existence only since 1969, it already has nine thousand employees and regulates many of the other federal agencies. In fact the E.P.A. probably now has more control over more lives and livelihoods than all the other regulatory bodies in the nation combined.

If you are talking about the cost of energy and how individuals relate to it, you cannot do so without talking about the E.P.A. and its environmental impact statements and rules. If you are discussing transportation, you soon find that everything from cars and trucks to trains, planes, and buses are regulated by the E.P.A. If you are thinking about buying a new house or condominium, or even renting one, your purchase price or your

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